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BASEBALL BEGINS
Starting Pitchers, Page 16

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

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Baltic Issue Raises The Summit Stakes

By Don Oberdorfer
Washington Post Service

WASHINGTON — After months of relatively smooth sailing, the U.S.-Soviet relationship has entered dangerous waters as George Bush and Mikhail S. Gorbachev head for their first full-scale summit meeting, only seven weeks away.

As revolutions occurred in Eastern Europe, the Berlin Wall came down and the two German states moved swiftly toward unification, the Washington-Moscow relationship seemed increasingly strong and stable, a reassuring and important constant in a world that seemed to be turning upside down.

But in the past several weeks, culminating in Soviet Foreign Minister Eduard A. Shevardnadze's talks here last week, the dramatic progress toward more cooperative U.S.-Soviet relations has begun to fade and the dangers of drift, deadlock and bitter division have begun to return to view. Washington suddenly has been reminded that even in the Gorbachev era, dealing with the other nuclear superpower is not always simple.

The scheduling of the Washington summit meeting for May 30-June 3, nearly a month earlier than had been expected, makes the next few weeks unusually important. But even as the dates were being moved up to meet Mr. Gorbachev's scheduling needs, the Soviets were complicating the summit preparations by apparently backtracking on strategic arms concessions they made two months ago when Secretary of State James A. Baker 3d was in Moscow. And simultaneously, the risk of a major U.S.-Soviet dispute over Lithuania was increasing.

Mr. Bush and his top aides have been telling Moscow privately for nearly three weeks that the conflict between the Kremlin and Lithuania presents a serious danger to the overall U.S.-Soviet relationship. In the past several days, the administration has been saying the same publicly, clearly and explicitly.

Because of the Lithuania crisis, the United States has put its relationship with the Soviet Union at

NEWS ANALYSIS

risk, the White House press secretary, Marlin Fitzwater, said.

"That is to us the biggest and most valuable asset we have," he said. "That to us is the most forceful vehicle for presenting our views." On the same day, Mr. Bush and Mr. Baker made public statements emphasizing the vital importance of Lithuania to U.S. relations with Moscow.

Officials have been reluctant to say publicly just what the stakes are in the Lithuania conflict or what would happen if things went wrong. Privately, a senior administration official said that "we can't sustain the kind of forward looking, problem solving attitude toward the Soviet Union, or our support for *perestroika* or for Gorbachev, if they crack down in Lithuania."

When the dates for the summit meeting were accepted by Mr. Bush last week, a senior official said, it was made clear to Moscow that this was "contingent" on nothing happening in the meantime that could interfere. A crackdown in Lithuania, this strongly suggests, would put the meeting in danger.

Equally worrisome to the administration — and more likely than a violent crackdown — is Soviet in-

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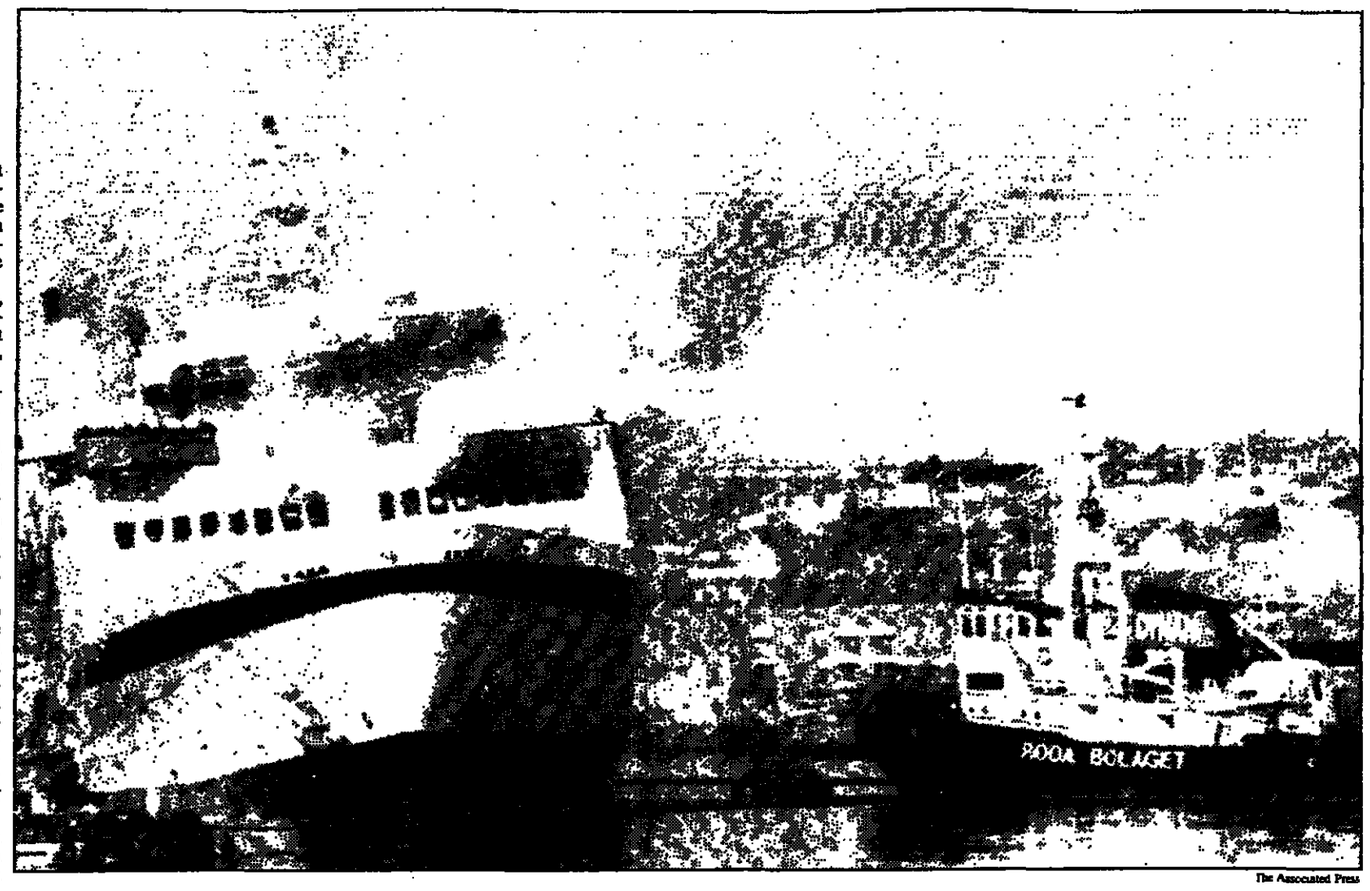

The Associated Press

A vessel spraying the Scandinavian Star at Lysekil, Sweden, where the burning car ferry was towed. Survivors and rescuers described confusion during the disaster.

Arson Suspected On Ferry

135 Feared Dead In Blaze Aboard A Danish Vessel

By Sheila Rule
New York Times Service

OSLO — Opening an arson investigation into the North Sea ferry fire that killed as many as 135 people, the Norwegian police said Sunday that they were checking for links between the blaze and earlier North Sea ferry fires, at least one of which was deliberately set.

Assistant Chief of Police Magnar Aukrust said at a news conference that the authorities began looking into arson as a possible cause after the captain and members of the ferry's crew, as well as some surviving passengers, said that they believed it was set deliberately.

Mr. Aukrust said, however, that the police had uncovered no motive for an arson attack in the fire Saturday on the Scandinavian Star, which was making an overnight trip from Oslo to the Danish port of Frederikshavn.

"We are basing our work on the concrete theory that it was arson," Mr. Aukrust told reporters at Oslo's police headquarters.

Survivors and rescuers told stories of confusion during one of Scandinavia's worst sea disasters in decades. Alarms did not work, they said, and crew members could not speak the same language.

"We went on board a death trap," said a Norwegian survivor, Greta Holen. "It was pure luck that I survived."

"It took a very long time to get the lifeboats out, then nobody knew how to get them down," said Eli Kvale Nielsen, describing how her lifeboat hung suspended over the sea, still attached to the burning ferry. "We were hanging there, with smoke coming out strongly."

Mr. Aukrust, whose office is investigating the disaster with maritime and police officials in Sweden and Denmark, said that there could be a link between the disaster on Saturday and several recent fires on Danish North Sea ferries, of which at least one was blamed on arson.

"Much of the probe conducted in Norway and Sweden is based on comparing passenger lists from the Scandinavian Star with those of ships which suffered earlier fires," Mr. Aukrust said. "We might then narrow down the field of possible suspects. But we have no concrete leads or suspects yet. That is likely to take at least a few days more."

Last September, the Danish police concluded that arson was responsible for a fire on another Danish North Sea ferry. The blaze killed two Swedish passengers on a voyage from Gothenburg, Sweden to Harwich, England. All 230 passengers were taken off by lifeboats after fire broke out on another Danish ferry in September 1988, on a trip between Norway and Denmark.

In Saturday's fire, many passengers reportedly suffocated as they tried to flee down smoke-filled corridors.

Mr. Aukrust said that several of the 358 known survivors had reported seeing piles of burning clothes or linen in corridors.

Hugo Larsen, the ferry's Norwegian captain, has been quoted as saying that three separate fires were started deliberately outside

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Georgian Throng Protests '89 Slayings by Troops

By Francis X. Clines
New York Times Service

TBILISI, U.S.S.R. — Tens of thousands of Soviet Georgians packed the streets of the capital Sunday night for a mournful protest that laid bare not only the republic's increasing hunger for independence but also its badly fragmented politics.

A throng of pro-independence demonstrators, including many from neighboring republics sympathetic to the Georgians' anti-Moscow fervor, swirled through the streets to commemorate the "bloody Sunday" of a year ago.

This was the dark event that became a crisis for the Kremlin when shovel-wielding Soviet troops, intent on asserting national authority, killed 19 members of a crowd of peaceful demonstrators last April 9. They dosed several thousand more with toxic chemicals.

In Tbilisi, the victims were mourned as heroes in a tragedy that has pushed Georgia's age-old struggle for viable autonomy to a new intensity.

Its evidence was everywhere, from the statues of Lenin being torn down lately to the open, near gleeful petitioning among Sunday night's crowds to reject Soviet citizenship and army induction.

Apart from the fervor, however, the independence drive has been notable for its chronic disunity. The campaign is being organized by a dozen different political groups, some of them openly feuding, each of them claiming to be the people's true guide to sovereignty.

Debate within the independence movement echoes with denunciations of opponents as "enemies of the people" and with warnings that "neo-Bolshevism" is taking shape in allegedly false independence groups bent on keeping the republic frozen in disunity.

Compounding the acrimony are such factors as an intergenerational rivalry in Georgian politics between older leaders who took great pre-Gorbachev risks to protect the language and younger, more radically spoken sons and daughters who say the Kremlin could have been pressed harder.

The recriminations are over the best path to independence: through the current radical refusals to recognize anything Soviet or through moderate strategems of using the new democratization to elect independence candidates to all republic seats of power.

"Now we are unified, the April 9th killings saw to that," insisted Georgi Chanturia, leader of the National Democratic Party and a power in the National Forum. This is the Georgians' latest attempt at forging an umbrella group that might unite the disparate forces.

The National Forum is in the forefront of a thus far successful boycott of all government elections for the republic parliament. Politics have become increasingly polarized, with such moderate groups as the Popular Front, which favors government elections, being denounced as a haven for Communists and coopted by the Kremlin.

■ Latvian Party Split

Michael Dobbs of The Washington Post reported from Moscow on Sunday:

The Latvian Communist Party has split into two factions over the crucial issue of whether to declare independence from the Soviet Union. Most of the ethnic Latvian delegates walked out of a party congress after the Russian-dominated majority sought to postpone debate on a new political program.

They later announced that they would set up their own independent party, which is likely to support moves to restore Latvia's 20-year independence between World Wars I and II. The developments on Saturday were further evidence that the Baltic secessionist movement that began in Lithuania is gathering strength in Latvia and Estonia.

The Communist parties in Lithuania and Estonia have already thrown in their lot with the pro-independence popular front movements there, leaving only a relatively small group of Communists loyal to Moscow. The fact that the nationalists have turned out to be a minority in the Latvian Communist Party is largely a reflection of the ethnic balance in the most industrialized of the three Baltic republics.

Defense Industry Takes Its Best Shot

By William J. Broad
New York Times Service

NEW YORK — The scientists at the heart of the U.S. military-industrial complex appear to be getting in step with the times, trying to promote their research as a boon to civilian health, wealth and adventure.

They say their death rays will treat cancer and that their electric rail guns will loft commercial payloads into space and enrich earthling entrepreneurs.

And they say that their nuclear reactors, originally meant for war in space, will hurl astronauts toward the moon and Mars.

But many skeptics dismiss much of the scientists' recent bout of new thinking as self-serving nonsense.

The critics say the collapse of communism and the slowdown in military spending have panicked the weapons industry and parts of the Pentagon into public-relations overkill.

With some politicians talking about halving defense spending, the military-industrial complex with an annual budget of about $300 billion, is not about to roll over and die.

But no matter how worthy peaceful applications might be, it is not clear that government laboratories and companies, which are accustomed to federal financing and the luxury of cost overruns, can adapt to a civilian marketplace.

The trick is to persuade the public that the same people who brought us fighter jets and ballistic missiles suddenly have the wherewithal to pursue more peaceful goals.

In recent weeks, the sales pitch has become increasingly bold, sometimes giving the impression that civilian applications are no longer sideshows but the main attraction.

The Seattle-based Boeing Co. has received about $100 million in Pentagon money for work on a Strategic Defense Initiative antimissile laser, and it is negotiating a five-year, $300 million extension to the contract.

Nonetheless, the company recently ran a newspaper advertise-

See GUNS, Page 5

Market Woes, Restricted to Tokyo, Fail to Stir G-7

By Carl Gewirtz
International Herald Tribune

PARIS — Japan's major trading partners have turned a polite but deaf ear to its pleas for help in arresting the declines of its financial markets, and they seem likely to maintain their indifference as long as the problem does not spread beyond Tokyo.

A laconic statement from the Group of Seven leading industrialized countries, issued after a weekend meeting in Paris, said they found the yen's recent decline undesirable for global trade reasons and would "keep it under review."

More important was what the G-7 statement did not say. It contained not even a hint that the turmoil in Tokyo's financial markets since the start of this year was a matter of international concern.

"Markets will react negatively," predicted Rimmer de Vries, economist for J.P. Morgan in New York. Market players "know that to have a lasting effect" on the yen's exchange rate, "monetary policy in Japan will have to be tightened."

Mr. de Vries called the communiqué "a statement without actions."

Both the yen and Japanese stocks rallied late last week on hopes that Tokyo's G-7 allies — the United States, West Germany, France, Britain, Canada and Italy — would agree over the weekend on steps to break the slide in Japan's financial markets.

The allies' studied indifference to the plunge in Japanese equity values is conditional — it will last as long as Tokyo's fall does not set off a chain reaction in other major markets. Such an event, which would have much broader economic effects, would be the likely trigger for coordinated central-bank intervention in the foreign exchange market.

Following the one-day meeting of finance ministers and central bank governors, the Group of Seven issued a strong statement about the "undesirable consequences for the global adjustment process" of a weak yen. But they then watered down the statement, saying officials had "agreed to keep these developments under review."

In addition, "They reaffirmed their commitment to economic policy coordination, including cooperation in exchange markets."

The yen has declined 11 percent against the dollar since the start of the year and has fallen 28 percent over the last 15 months. The decline troubles the Japanese because it raises the cost of imported raw materials, notably oil, and increases fears of higher inflation that have already been fanned by the very rapid expansion — about 10 percent — in the annual growth of the money supply in recent years.

On Friday, with the yen trading near its all-time low against the European currencies and a three-year low against the U.S. dollar, traders began buying the currency on the assumption that a U.S.-Japanese trade agreement announced late Thursday would prompt Washington to respond over the weekend with a helping hand for the yen.

But at a press conference following the ministerial meeting, Treasury Secretary Nicholas F. Brady of the United States said that the exchange rate was "more stable than one would have thought." He noted that Friday's exchange rate of 157.7 yen to the dollar was not far from its 145.60 rate at last September's meeting and about on target with the level of 154 yen three years ago.

In Washington's view, currency support and trade talks are separate and unrelated

See G-7, Page 9

Kiosk

Nepal's King Lifts Party Ban

KATMANDU, Nepal — King Birendra lifted a 29-year ban on political parties on Sunday and announced the establishment of a multiparty system. The action followed two days of talks between opposition leaders and the monarch, after the most violent protests in Nepal's modern history. Page 2.

MONDAY Q & A

WP

C. Fred Bergsten, director of the Institute for International Economics, says the G-7 coordination process has collapsed. Page 2.

General News
Beijing launches a U.S.-made satellite and enters the international space market. Page 3.

Business / Finance
Beijing plans to issue new regulations restricting private enterprise. Page 7.

Personal Investing
Offshore funds took a beating as higher interest rates and reverberations from Tokyo buffeted markets. Pages 11-15.

Crossword Page 5.

Agence France-Presse — The Associated Press — Santiago Llanquin/The Associated Press

Democratic Forum Winner in Hungary

Matyas Szuros, acting president of the Hungarian Republic, stepping out of a voting booth in Budapest on Sunday after casting his ballot in the second and decisive round of the parliamentary elections. Later, the left-liberal Alliance of Free Democrats conceded defeat to the center-right Hungarian Democratic Forum after early results were counted in the first free elections since 1945. Earlier story on Page 5.

Conservatives Lead In Greek Elections

Andreas Papandreou, the two-term former Socialist prime minister, got a good-luck kiss from his wife, Dimitra, during Sunday's voting in Greece. But in the third national elections in 10 months, returns from 1,780 of 16,584 polling stations showed the conservative New Democracy Party with 48.4 percent of the vote, which would be enough to win if that percentage held overall. Page 5.

Peru Novelist Leads, But Faces a Runoff

A Peruvian soldier guarding boxes used at polling stations in Lima during the presidential election Sunday marked by terrorist attacks by guerrillas of the Shining Path. An exit poll gave the novelist Mario Vargas Llosa 37 percent but he is expected to face a runoff with Alberto Fujimori, an independent. The guerrillas exploded dynamite near polling stations in Lima and in an nearby shantytown. Page 5.

North and Poindexter Redux?

Admiral, Convicted, May Be Called to Testify Again

By Joe Pichirallo
Washington Post Service

WASHINGTON — Lawrence E. Walsh, the independent counsel in the Iran-contra case, is considering calling Rear Admiral John M. Poindexter and Oliver L. North, the former White House aide, before a grand jury investigating the affair, according to a source familiar with the inquiry.

Criminal investigators are concentrating on whether false statements were made to Congress by Reagan administration aides not previously charged in the scandal, the source said.

A final decision on whether to summon Admiral Poindexter, a former national security adviser, probably will not be made until after he is sentenced in June for his conviction Saturday on five felony counts for his role in the Iran-contra scandal, the source added.

Admiral Poindexter, 53, was convicted on charges that he sought to cover up pivotal aspects of the scandal to protect Ronald Reagan from political embarrassment. The jury found him guilty of all the charges brought against him, including conspiracy and obstruction of congressional inquiries into the Iran-contra affair.

Mr. Walsh, whose inquiry of more than three years is in its final stages, would like to question Admiral Poindexter and Mr. North on areas that remain unresolved, particularly Mr. Reagan's precise role, the source said.

A full understanding of Mr. Reagan's involvement is viewed as crucial to the final Iran-contra report that Mr. Walsh is required to submit to the special three-judge panel that appointed him.

■ The Clearest Verdict

Walter Pincus of The Washington Post reported earlier from Washington:

The jury's finding that Admiral Poindexter was part of a conspiracy involving senior members of the Reagan administration is the clearest verdict yet rendered on the Iran-contra affair.

The congressional panels that investigated the affair for a year suggested that Admiral Poindexter was the senior member of a group of rogue officials who committed improper acts without fully informing the president or others in the administration. The review board headed by the Texas Republican John G. Tower was the first to advance this theory. Mr. Tower's panel investigated the affair for the Reagan White House.

But the earlier investigations focused not on the cover-up of arms-for-hostages deals, but on the "diversion." This was the use of profits from arms sales to Iran to help finance the Nicaraguan contras at a time when Congress had banned direct U.S. military aid to them.

The beginning of the end of the Iran-contra crisis came in July 1987, when Admiral Poindexter told the congressional panels and a huge television audience that he, without the knowledge of Mr. Reagan, had authorized Mr. North to divert arms profits to the contras.

From that day on, the committees rushed to wind up their inquiry. In their haste, they skimmed over many of the matters that became critical to the successful criminal prosecutions of Admiral Poindexter, Mr. North and Robert C. McFarlane, Admiral Poindexter's predecessor as national security adviser. Mr. McFarlane pleaded guilty to charges of withholding information from Congress. The committees absolved Mr. Reagan of any direct involvement in improper activities.

None of the investigations into Iran-contra matters has focused on Mr. Reagan's role. The Tower panel, Mr. Reagan's own review board, found that the president was ill-informed and criticized his "management style." This occurred after Mr. Reagan appeared twice before the board and gave vague answers to its questions.

The congressional committees made no attempt to question Mr. Reagan or to pin down his specific actions once Admiral Poindexter

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Lack of G-7 Action Creates Dilemma for Japan

C. Fred Bergsten was assistant secretary of the U.S. Treasury in the Carter administration and now is director of the Institute for International Economics in Washington. He talked with Lawrence Malkin of the International Herald Tribune after the weekend meeting of Group of Seven officials.

Q. The Group of Seven did not announce anything to rescue the Japanese yen. Is action needed? What is undesirable about the fall of the yen anyway?

A. I think the G-7 process is in total collapse. They face two big problems. One is the exchange-rate problem. If the yen continues to weaken, it will promote an even larger trade surplus with the United States and drag our already weak economy down further. Second, the Japanese will be under enormous pressure to raise their interest rates to try to stop the further decline of the yen if the market pushes it down. The Germans will almost certainly be pushing their interest rates up because of economic unification with East Germany. The two together are almost certain to push U.S. interest rates up because we are so dependent on importing capital from the rest of the world. So what we've got is an interest-rate spiral triggered by international events.

Q. Do you see any sign of economic policy coordination.

A. I see no sign of any positive action whatsoever.

Q. So the ball now is in the Japanese court?

A. The Japanese are in a terrible dilemma. Do they raise interest rates to try to stop the falling yen, with the risks of further adverse effects on stock prices, or do they reverse policy and reduce interest rates to stop the decline of the stock market, knowing that would push the yen down much farther and create much greater trade problems down the road? The G-7 inaction could actually lead to a reversal of Japanese monetary policy that would create even greater trade frictions in the future.

MONDAY Q&A

Q. What do you think they will do?

A. They will temporize for a few days to see how the stock and foreign exchange markets react to the inaction of the G-7. If the stock market were to go into a new slide at this point, they would be tempted to ease interest rates. But if the yen goes into a tailspin, they might be forced to raise interest rates, even though that would risk a further slide in the stock market.

Q. American and other officials are feeling confident that they can weather storms in the market, that shock absorbers have worked in 1987, 1989, and the last few months. Are you that confident?

A. I think the G-7 has displayed a shocking degree of complacency over the risk that renewed stock market trouble in Tokyo will spill into world markets. At some point, a decline in Japanese stock values will cause Japanese investors to liquefy their portfolios and divest everywhere, including America.

Q. Some officials feel that rising Japanese interest rates, while not a direct goal of policy, would nevertheless have felicitous consequence for Japan's competitors by raising the cost of capital for Japan's industry.

A. If the United States thinks it should engineer a collapse of the Tokyo stock market to improve American competitiveness, they've got a very strange sense of priorities. A continued or accelerated decline in Japanese markets would have very unfavorable effects on the United States and other countries. It's not that the G-7 should have been thinking just about helping the Japanese, although in the first instance it's a problem for Japan. It's avoiding global risks, for everybody.

Q. What should they have done?

A. They should have reached a cease-fire agreement on interest-rate increases. At a minimum, the United States should have indicated that it was not going to increase interest rates further, and preferably that it would reduce rates a little. That would have taken pressure off Japan and Germany, could have amounted to an international cease-fire on interest rates that would have halted this particular threat to world growth. Moreover, because it would have been unexpected in the market, it would have strengthened the yen, and sharply reduced the risk of international financial disruption.

Q. Why didn't the United States take the lead in that?

A. The U.S. authorities obviously do not have their act together. The Treasury and Federal Reserve are not thinking along the same lines, and they do not fully recognize the international risks they now face.

The unfortunate record is that what persuades them is a crisis. It drives them to do after the fact what they should have done before. There were three major crises from mid-1985 to mid-1987 that forced G-7 action: the Plaza agreement, the Louvre agreement, and Black Monday. All responded to events very effectively, but so late in the day that major costs were incurred which could have been headed off. What they should have done this weekend was to have gone back to the 1985-1987 period, when they effectively coordinated both interest rates and exchange rates in response to crises. This time they should have done it to head one off.

210 Are Feared Lost As Burma Ferry Sinks

The Associated Press

RANGOON — A survivor of a river ferry disaster in Burma was quoted Sunday as saying the craft sank within minutes of being struck by gale-force winds. Up to 210 people are feared dead.

Radio reports said that at least 30 people had drowned and some 180 others were missing. The double-decker ferry overturned Friday with 241 persons on board.

The newspaper Working People's Daily on Sunday quoted a survivor, Aung Mya Tint, a police inspector, as saying the vessel was hit by high winds and sank quickly.

The newspaper blamed the accident on natural forces rather than overloading. The newspaper said the ferry could hold up to 40 tons of cargo, but had less than half that amount aboard. Passenger capacity was 280 people, it said.

The ferry was making a regular run on the Gyaing River from Moulmein east to Kyondo in the southern province of Tenasserim, Radio Rangoon said. Moulmein is about 160 kilometers (100 miles) southeast of Rangoon.

The newspaper said that doctors, Red Cross workers and local officials were providing medical treatment.

In May 1987, a old vessel with 400 people aboard overturned and sank in the Rangoon River. Reports at the time said 283 passengers were rescued but no official death toll was given.

Last October, 60 people were reported missing when a ferry with 170 people aboard sank in a storm near Rangoon.

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Jim Hollander/Reuters

Some of the 150,000 who rallied in Tel Aviv to urge an overhaul of the country's electoral system.

Israelis Protest Both Parties' Tactics As Likud Appears Resigned to Loss

Reuters

JERUSALEM — Israel's rightist Likud party virtually conceded defeat to the Labor Party on Sunday as the Likud leader, Yitzhak Shamir, presided over what may have been his final cabinet meeting as prime minister.

Each party, hoping to form the next government, made fresh efforts to lure defectors. The maneuvering occurred despite a rally in Tel Aviv on Saturday night in which 150,000 Israelis, angered by such tactics, urged a change in the electoral system.

Likud cabinet ministers vowed to try to block the bid of the Labor leader, Shimon Peres. But they betrayed a sense of defeat by criticizing the coalition that is likely to emerge from the special parliamentary session on Wednesday.

They said they would try to win back Avraham Sharir, a former Likud justice and tourism minister, who announced his support for Labor, breaking a 60-60 deadlock in the 120-seat Knesset.

"It's the first time in Israeli history that a switch by a parliament member from one party to a rival party will cause a change in leadership," Transport Minister Moshe Katzav said after the cabinet meeting.

Mr. Peres, whose coalition's existence would depend on an ultrareligious Jewish party, three leftist parties and far-left Arab legislators, wants to lead Israel into its first peace talks with Palestinians.

Mr. Katzav added that this was the first time that Yasser Arafat, leader of the Palestine Liberation Organization, had supported Mr. Peres in a bid to head the government.

Ariel Sharon, a Likud hard-liner who quit the cabinet because he feared that Mr. Shamir's timid steps toward the U.S.-proposed talks would lead to contact with the PLO, told reporters:

"It is impossible to lend a hand to a government that is essentially established with the help of Arafat and his gang of murderers." He added, "There is no legitimacy to a government established by PLO votes."

Mr. Arafat said in Rome on Friday that he had had secret contacts with envoys from Mr. Shamir and former Defense Minister Yitzhak Rabin of Labor.

The Likud-Labor coalition fell last month because Mr. Shamir refused to accept the talks, which were meant to advance his own proposal for Palestinian elections in the occupied West Bank and Gaza Strip.

Demonstrators in Tel Aviv on Saturday demanded an end to Israel's proportional representation system, which leaves big parties dependent on support from factions and individual legislators.

But Attorney General Yosef Harish warned against any hasty change that could produce an executive immune to proper parliamentary checks and balances.

Protesters, in what a senior police official called Israel's largest demonstration, criticized leaders for wooing potential backers with cabinet seats and political favors.

The Israeli Supreme Court ruled Sunday that it was forbidden to offer financial guarantees to political partners.

A breakaway Likud faction had demanded as much as $10 million in bank guarantees to ensure that Likud met its coalition obligations.

Lady Keith Dies at 73, Figure on Social Scene

New York Times Service

NEW YORK — Nancy Lady Keith, 73, a legendary beauty and participant in the social scene of New York and Hollywood, died of heart failure Friday at New York Hospital.

Lady Keith, known to her friends as Slim, had just completed her memoirs, "Memories of a Rich and Imperfect Life."

Known for her wit and charm, she was a sought-after guest, a close friend of Ernest Hemingway and much of Hollywood and New York society.

Truman Capote, who called her "Big Mama," was one of her closest friends until he wrote "Answered Prayers," an article that caricatured New York society. After the article was published she never spoke to Mr. Capote again.

A native of Salinas, California, she acquired her title from her third husband, Lord Keith of Castleacre, a British merchant banker, whom she married in 1962.

Her first husband was Howard Hawks, the director and producer.

In 1946, 150 fashion editors and stylists named her the best-dressed woman of the year. The runner-up was the Duchess of Windsor.

In her Hollywood years she was credited with discovering and promoting such stars as Lauren Bacall, Joanne Dru and Ella Raines, all of whom resembled her somewhat in their casual, long-limbed good looks.

Two days after she and Mr. Hawks were divorced in 1949, she married Leland Hayward, a movie and theatrical producer.

She and Hayward divorced in 1959 and three years later she married Lord Keith. They were divorced in 1972.

"I was married to each for about 10 years," she said at the time. "I guess that's about all I can hack."

■ *Other death:*

Ronald E. Evans, 59, the Apollo 17 command module pilot on man's last trip to the moon, of a heart attack Saturday at his Arizona home.

Ryan White, 18, A Spokesman On AIDS, Dies

The Associated Press

INDIANAPOLIS — Ryan White, the teenage AIDS victim whose battle for acceptance won hearts and better understanding of the disease across the United States, died Sunday, a hospital spokeswoman said. He was 18.

Mr. White was diagnosed as having AIDS in December 1984 when he was 13. He contracted acquired immune deficiency syndrome through a blood-clotting agent used to treat his hemophilia.

The following year, he was barred from school after school officials and parents rejected health authorities' reassurances that AIDS cannot be spread through casual contact.

After months of school board battles and court hearings, the youth won the right to attend school.

He became a national spokesman for children with AIDS, appearing at congressional hearings and fund-raising events. The story of his life was told in a 1989 television movie. Mr. White had a small role in the film.

Nepal's King Yields and Ends Ban On Parties

By Steve Coll
Washington Post Service

KATMANDU, Nepal — After two days of violent protests, King Birendra capitulated Sunday to the demands of Nepal's banned opposition parties and paved the way for restoration of a multiparty democracy in his Himalayan kingdom.

The Nepalese television announced Sunday that the king had agreed to lift immediately all restrictions on political parties and had appointed a committee to advise him on how to amend the kingdom's constitution "in accordance with the popular will."

Within an hour of the television announcement, fireworks, shouts and whistles erupted across Katmandu, the capital, as thousands of people poured into the streets to celebrate the news, shouting, "Democracy! Democracy!"

Referring to the recent changes in Eastern Europe and to the prodemocracy movement in Beijing last June, the television said that the monarch had made his decision "on the basis of the international environment" and the demands of 200,000 Nepalese who took to the streets in protest on Friday.

The announcement appeared likely to defuse a deepening political crisis in Nepal, which climaxed Friday when the police and soldiers fired on large crowds of peaceful demonstrators, killing at least 23 persons and plunging the capital into chaos.

Katmandu was paralyzed over the weekend as thousands of soldiers poured onto the streets to quell protests and enforce an indefinite curfew.

The king's decision followed a meeting on Sunday between the monarch and leaders of the two largest illegal political groups, the centrist Nepali Congress Party and the United Left Front party.

The party leaders urged King Birendra to relinquish his autocratic rule. They have spent much of the last decade in jail or detention.

Some opposition activists expressed displeasure with the announcement because the king did not agree to abdicate power altogether. "This is not what we want," a leftist activist said.

The Nepali Congress Party on Sunday called off anti-government protests scheduled for Monday.

Nepal's movement for political parties initially focused on changes in the political system and did not demand the outright removal of the king. But for the first time since the movement began, the demonstrators on Friday chanted slogans demanding that King Birendra give up his throne and leave Nepal.

Defining the limits of the king's power in a new multiparty system is expected to be the most contentious issue in the prospective negotiations over a new constitution. Some opposition groups are likely to try to emasculate the monarchy, while King Birendra is expected to push for a significant political role.

"The king has no personal objection to being a European-style constitutional monarch," a senior government official said Sunday, adding, "But in a situation like ours it's not easy for him to shed all powers."

"We hope to have a monarch strong enough to prevent dictatorship," the official said.

King Birendra's family has governed Nepal for about 250 years. But during much of the 19th and early 20th centuries, the king was a figurehead who was manipulated by several generations of dictators.

In 1950, King Birendra's grandfather, King Tribuvhan, led a revolution that overthrew the dictators and established a short-lived parliamentary democracy, which was led by the Nepali Congress Party.

But 10 years later, King Birendra's father banned all political parties and established autocratic rule through a system of partyless councils.

King Birendra inherited the throne in 1972 and has maintained a tight grip on power ever since. His family has monopolized many of the country's largest businesses and wields control over foreign aid.

While the Nepali Congress Party and the seven fractious Communist parties that make up the United Left Front are well organized and led by some experienced politicians, three decades of monarchy and corruption have left Nepal with an embryonic political culture.

Many of Nepal's rural, illiterate farmers regard King Birendra as a Hindu god, and the palace views them — unlike the urban dwellers who led the pro-democracy movement — as the monarch's strongest constituency.

During a 1980 referendum to decide whether Nepal should adopt a parliamentary democracy, the king campaigned tirelessly in remote areas to urge voters to endorse the prevailing partyless system. The king's autocratic rule was upheld by a narrow margin in the vote amid charges of rigging by the opposition.

Sunday's announcement provided welcome relief to thousands of Western tourists who had been trapped in Nepal during the recent upheaval. The U.S. Embassy in Katmandu issued a strong warning before the king's announcement, urging Americans to leave the country because of the police shootings provoked by the protests. Katmandu's airport reopened Sunday after being closed Saturday because of the unrest.

WORLD BRIEFS

China Shuts Off a City to Foreigners

BEIJING (WP) — China has closed its westernmost city, Kashgar, to foreigners after reports of an outbreak of anti-Chinese ethnic unrest near the Soviet border, foreign travelers in the region said Sunday.

The move to limit travel to Kashgar followed strongly worded warnings last month from leaders of the northwest region of Xinjiang that security would be strengthened in areas near the border with the Soviet Union, presumably to control agitation against Chinese rule.

Officials appear to be concerned that separatist activities in the neighboring Soviet Central Asian republics are destabilizing Xinjiang, a huge, sparsely populated but largely Muslim region of 15 million.

Mutiny Leader Flees Manila Jail

MANILA (Combined Dispatches) — Masked rebel soldiers shot their way into a Manila prison on Sunday and whisked away an officer who had been accused of leading the failed army coup in December, while his guards drank to celebrate a warden's birthday.

The escape took place before dawn a day after the military declared a nationwide alert for the Easter holidays amid rumors that the rebel soldiers might attack army stockades to free jailed comrades or begin a new coup.

The Young Officers' Union, a group linked to the coup, claimed responsibility for the escape, in which Lieutenant Commander Bilbastro Bibit and four cellmates were freed. The cellmates were uninvolved in the coup attempt. *(Reuters, AP)*

Inmate Dies in British Prison Unrest

LONDON (AP) — One prisoner died at Dartmoor Prison in unrest that plagued six jails in England and Wales on Sunday. Guards blamed overcrowding and understaffing for the disturbances, but the government said it was the work of troublemakers.

At Dartmoor, in southwest England, a day-old disturbance was all but over by Sunday evening, with one prisoner holding out on the roof and more than 100 giving themselves up from behind their barricade and from the roof.

The body of a prisoner was then found in a fire-damaged cell, said the prison governor, John May, but he declined to give any details and said it was not yet known when the fire occurred. Police began an inquiry and a pathologist was brought in by the Home Office, the government department in charge of prisons.

Methyl Alcohol Killed Soviet in Seoul

SEOUL (AFP) — A Soviet airline crewman who died here after an inaugural flight from Moscow drank methyl alcohol with three colleagues in their hotel room, according to doctors and press reports.

The Aeroflot steward, Vladimir Maslov, 36, died on Thursday, six hours after being hospitalized with severe abdominal pains.

Three of his colleagues, who were also hospitalized, admitted drinking methyl alcohol after buying it at a local shop believing it to be nonlethal ethyl alcohol.

Talks With ANC Delayed Until May

JOHANNESBURG (NYT) — South Africa will hold its first formal meetings with the African National Congress on May 2, 3 and 4, the government has announced. A session was originally planned for April 11.

The announcement of the agreed date was withheld until Saturday because Nelson Mandela, the black nationalist leader, said approval was needed from the ANC executive committee, which remains in exile in Zambia.

The ANC said previously that at the meeting it planned to press demands that the national state of emergency be lifted, that an unconditional amnesty be extended to all political prisoners and exiles, and that political trials end.

TRAVEL UPDATE

U.S. Backs Eastern's Sales of Routes

WASHINGTON (NYT) — The Transportation Department tentatively has approved the sale of several of Eastern Airlines' international routes to American Airlines.

For American, the routes would substantially expand its international operations. The routes include flights to Central and South America and flights from Miami to Madrid. American would also buy the Miami-London route of Continental Airlines, which like Eastern is owned by Texas Air Corp.

The right to an international route is awarded by the Transportation Department, and airlines can sell the right only with the permission of the department.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Tunisia, Sri Lanka, Uruguay.

TUESDAY: Israel, Uruguay.

WEDNESDAY: Costa Rica, El Salvador, Guatemala, Israel, Mexico, Norway, Uruguay.

THURSDAY: Andorra, Argentina, Brazil, Colombia, Costa Rica, Denmark, Ecuador, El Salvador, Finland, Guatemala, Honduras, Iceland, Israel, Liberia, Mexico, Nicaragua, Norway, Panama, Peru, Philippines, Portugal, Spain, Sweden, Thailand, Uruguay, Vatican City, Venezuela.

FRIDAY: Andorra, Argentina, Australia, Bahamas, Barbados, Belize, Bolivia, Botswana, Brazil, Britain, Cameroon, Canada, Chile, Colombia, Costa Rica, Cyprus, Denmark, Dominican Republic, East Germany, Ecuador, El Salvador, Equatorial Guinea, Ethiopia, Fiji, Finland, Ghana, Gibraltar, Grenada, Guam, Guatemala, Guyana, Haiti, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Ivory Coast, Jamaica, Kenya, Lebanon, Lesotho, Liberia, Liechtenstein, Macao, Madagascar, Malawi, Malta, Mexico, Monaco, Namibia, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Puerto Rico, Sierra Leone, Singapore, South Africa, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Tanzania, Thailand, Uganda, Uruguay, Vatican City, Venezuela, West Germany, Zambia, Zimbabwe.

SATURDAY: Australia, Botswana, Brazil, Burma, Chile, Cyprus, Fiji, Guatemala, Haiti, Honduras, Hong Kong, Lebanon, Macao, Malawi, Mexico, Nepal, Panama, Spain, Sri Lanka, Uganda, Uruguay, Vatican City, Zambia, Zimbabwe.

SUNDAY: Bangladesh, Brazil, Djibouti, Greece, Jordan, Lebanon, Macao, Mexico, Niger, Rwanda, Sudan, Syria.

Source: Morgan Guaranty Trust Co., Reuters.

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Amsterdam	9	49	4	39	fr
Athens	18	64	12	54	s
Barcelona	17	63	10	50	s
Belgrade	12	54	11	52	r
Berlin	6	43	0	32	r
Brussels	9	48	3	37	r
Budapest	6	43	6	43	r
Copenhagen	5	41	0	32	r
Costa Del Sol	24	75	13	55	s
Dublin	10	50	7	45	r
Edinburgh	11	52	2	36	r
Faro	17	63	12	54	s
Florence	17	63	12	54	s
Frankfurt	9	48	4	39	c
Geneva	7	45	7	45	c
Helsinki	3	37	-3	27	c
Las Palmas	21	70	16	61	s
Lisbon	11	52	10	50	r
London	10	50	3	37	c
Luxembourg	7	45	4	39	c
Madrid	9	48	4	39	c
Milan	14	57	7	45	c
Moscow	5	41	2	36	c
Munich	4	39	0	32	r
Nice	16	61	9	48	r
Oslo	6	43	5	41	r
Paris	12	54	5	41	c
Prague	7	45	2	36	c
Reykjavik	4	39	3	37	r
Rome	17	63	12	54	s
Stockholm	6	43	1	34	r
Strasbourg	7	45	5	41	r
Venice	15	59	10	50	r
Vienna	6	43	2	36	r
Warsaw	4	39	0	32	r
Zurich	5	41	4	39	r

MIDDLE EAST

Amara	12	54	—	—	sh
Cairo	29	84	15	59	s
Istanbul	18	64	12	54	r
Jerusalem	19	66	3	41	s
Tel Aviv	27	79	6	43	s

OCEANIA

Auckland	—	—	—	—	ns
Sydney	23	73	19	66	r

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	35	95	25	77	fa
Beijing	24	75	8	46	fr
Hong Kong	23	73	19	66	fr
Manila	33	91	24	75	fa
New Delhi	33	91	18	64	fa
Seoul	11	52	5	41	fr
Shanghai	20	68	8	46	fr
Singapore	34	93	25	77	fr
Taipei	23	73	15	59	r
Tokyo	20	68	14	57	r

AFRICA

Algiers	21	70	11	52	cl
Cape Town	—	—	—	—	ns
Casablanca	16	61	10	50	r
Harare	—	—	—	—	ns
Lagos	28	82	27	81	r
Nairobi	25	77	15	59	s
Tunis	23	73	15	59	cl

LATIN AMERICA

Buenos Aires	19	66	13	55	cl
Lima	23	73	17	63	s
Mexico City	27	81	14	57	s
Rio de Janeiro	32	90	24	75	s

NORTH AMERICA

Anchorage	4	43	-2	28	c
Atlanta	20	68	6	43	r
Boston	10	50	1	34	r
Chicago	16	59	7	45	r
Denver	17	63	5	41	r
Detroit	15	59	5	41	r
Honolulu	26	79	20	68	sh
Houston	22	72	13	55	r
Los Angeles	20	68	12	54	s
Miami	27	81	19	66	r
Minneapolis	15	59	4	39	r
Montreal	9	48	-1	30	r
Nassau	27	81	21	70	r
New York	11	52	2	36	r
Phoenix	28	82	14	57	s
San Francisco	—	—	—	—	ns
Seattle	12	54	6	43	r
Toronto	8	46	-1	30	r
Washington	15	59	5	41	r

cl-cloudy; fa-fcwy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Rough. FRANKFURT: Fair. Temp. 11 — 0 (52 — 32). LONDON: Cloudy. Temp. 12 — 1 (54 — 34). MADRID: Showers. Temps. 13 — 4 (55 — 39). NEW YORK: Fair. Temps. 15 — 7 (59 — 45). PARIS: Fair. Temp. 12 — 3 (54 — 37). RIO: Fair. Temp. 28 — 17 (82 — 63). TEL AVIV: Not available. ZURICH: Cloudy. Temps. 12 — 3 (54 — 37). ATHENS: Showers. Temps. 16 — 6 (61 — 43). BANGKOK: Showers. Temps. 36 — 26 (97 — 79). BEIJING: Cloudy. Temps. 22 — 8 (72 — 46). HONG KONG: Fair. Temp. 24 — 19 (75 — 66). MANILA: Fair. Temps. 35 — 24 (95 — 75). MOSCOW: Cloudy. Temps. 8 — 0 (46 — 32). SEOUL: Foggy. Temps. 15 — 5 (59 — 41). SINGAPORE: Fair. Temp. 33 — 25 (91 — 77). TOKYO: Cloudy. Temps. 19 — 9 (66 — 48).

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Denmark*	D.Kr.	38.17.11.44	2,700	1,668	1,500
Finland*	F.M.	90/ 69.26.558	1,760	1,586	970
France	F.F.	0501.8088	1,500	1,412	830
Germany*	D.M.	0130/ 2525	580	439	320
Great Britain	£	0800/ 700600	140	115	77
Greece**	Dr.	01/ 51.29.005	41,000	20,880	23,000
Ireland	Pnt.	— —	155	136	85
Italy	Lire	— —	420,000	308,000	231,000
Luxembourg	L.Fr.	32.3/ 371.03.04	11,000	7,200	6,000
Netherlands*	Fl.	06-022.0242	600	492	340
Norway*	N.Kr.	042/ 11.388	2,000	1,640	1,100
Portugal*	Esc.	0034/ 1.555.1085	29,000	32,880	16,000
Spain*	Ptas.	01/ 555.1085	32,000	28,080	17,600
Sweden*	S.Kr.	08/ 71.63.771	2,000	1,640	1,100
Switzerland*	S.Fr.	0.46.05.44.11	455	491	255
Rest of Europe, N. Africa, form. Fr. Afr., Middle East	$	— —	470	Varies by country	260
Rest of Afr., Gulf St., Asia	$	— —	620		340
Central/Latin America	$	— —	540		295

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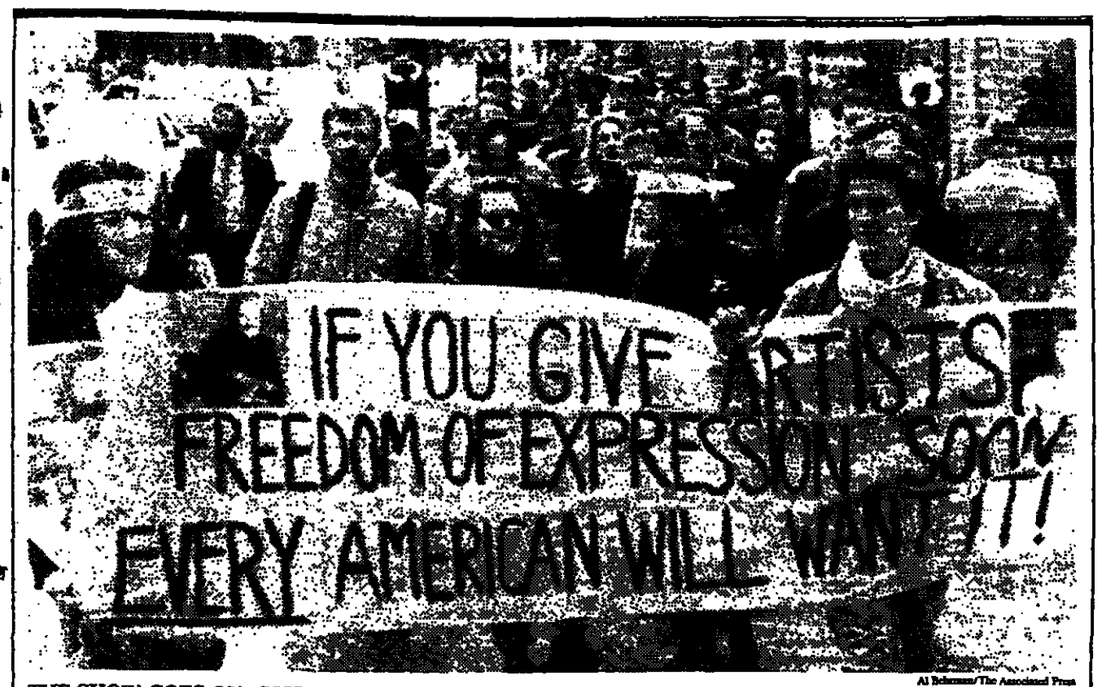


Al Behrman/The Associated Press

THE SHOW GOES ON, COURT RULES — Following ironic protests by 1,000 marchers, a U.S. judge on Sunday issued a restraining order barring Cincinnati authorities from closing down an exhibition at the city's art center of works by the late photographer Robert Mapplethorpe. Included in the exhibit were depictions of homosexual acts, sadomasochism and nude children.

AMERICAN TOPICS

Real Thing or a Fake? Count Off 4 Seconds

Violin owners from all over the world come to Dario D'Attili of Dumont, New Jersey, for his appraisal of their instruments. Sometimes it can take as little as four seconds, Michael Winerip of The New York Times reports. Mr. D'Attili's first appointment one day was a viola. He peeked through the sound holes and read the label: "Vincenzo Gagliano, 1870."

"A fake!" he said. "I know it instantly. A fake." The 7 on the label was crossed. "Italians seldom crossed their 7s until the 20th century," he said. The raised grain on the top and the reddish varnish suggested the instrument was 19th-century English, he added, modeled after the Milanese makers. Mr. D'Attili laughed because Gagliano was from Naples, which had a totally different style from Milan's.

"Now this," Mr. D'Attili said, holding up another instrument, was a Guarneri, about 1690. "It's got class," he said, and if properly restored, would bring $200,000.

Mr. D'Attili, 68, could make far more money if he did buying and selling as well as appraising. "I don't want to be a millionaire," he said, adding that if he were a dealer as well, people might think his appraisals were biased. "The public trust is everything to me," he said.

Charles Rudig of Sotheby's auction house, which often cites Mr. D'Attili in its catalogs, said, "He's up there among the finest experts on earth."

Notes About People

Governor **Madeleine M. Kunin** of Vermont has announced that she will not seek a fourth two-year term. Mrs. Kunin, 56, a liberal Democrat, has had a difficult third term, with state revenues falling and the prospects of deficits rising. But she said in a speech to officials and supporters that she stood by her record on environment, education, human services and balancing the budget. She said she was especially proud that her 12 years in office showed "that women are strong and capable leaders."

Gilbert E. Kaplan, 49, founder and chairman of Institutional Investor magazine, was rich enough to turn fantasy into reality. Although his sole musical training consisted of three years of piano lessons when he was a child, he hired symphony orchestras to let him conduct the only work he knew, Mahler's vast Symphony No. 2, "The Resurrection." His first attempts were poorly received, but after a decade of intensive study, endless practice and 18 public performances, he is good enough that his recording of the symphony has received excellent reviews and sold more than 100,000 copies, a best seller by classical standards and far more than any other Mahler recording anywhere. "I still consider myself an amateur," he told The New York Times.

Short Takes

When Amoco's 80-story Chicago headquarters was built 20 years ago it was sheathed in Carrara marble, the same that Michelangelo used. But the 43,000 sheets were only an inch and a quarter (3.17 centimeters) thick, compared with the 18-inch thick blocks typically used in Italian cathedrals, and began buckling in Chicago's rigorous climate of hot summers and freezing winters. Amoco is now removing the marble before it begins to pop loose. Replacing it with sturdier granite will take 18 months and cost about $70 million — more than half what the entire building cost two decades ago.

The 13,500 flight attendants of American Airlines, the largest U.S. carrier, accuse the airline in a pending lawsuit of age and sex discrimination because of its "grooming policy," which sets weight limits for men and women. Their union says American's weight tables are for small- to medium-frame women but for large-frame men. And unlike other airlines, it does not raise the limit with age. Nine of every 10 of the line's flight attendants are women. American, like other airlines, considers weight limits part of its image and says that being overweight can impede an attendant in case of emergency.

Monday is Opening Day for major league baseball, which reminded The New York Times that the first president to throw out the first ball of the season was William Howard Taft, a right-hander, on April 14, 1910, at a game between the Washington Senators and the Philadelphia Athletics in Washington. Another right-hander, Walter Johnson, pitched the rest of the game for the home team in a one-hit 3-0 shutout.

A letter from Sanl Kahan of Los Angeles to the Los Angeles Times: "The U.S. Postal Service offers a lovely 5-cent stamp with a portrait of novelist Pearl S. Buck. This means, with the proposed rate increase, it'll take six Bucks to send a letter!"

Arthur Higbee

U.S. Indicts Iraqi in Plot To Kill Foe Of Hussein

By Michael Isikoff
Washington Post Service

WASHINGTON — The Justice Department has announced the indictment of a former driver for Iraq's mission to the United Nations on charges of plotting the murder of two opponents of the Iraqi government of Saddam Hussein.

Shortly after the indictment was handed down Friday in Sacramento, California, the State Department announced that a diplomat attached to the Iraqi UN mission had left the country the day before after the United States formally accused him of "abuse of his privileges."

According to the indictment and a law enforcement source familiar with the case, the diplomat, whose identify and rank were not disclosed, had promised to pay the driver $50,000 to murder two Iraqi dissidents.

One of the alleged targets, sources said, was the leader of a group called Bet Nahrain, which advocates an independent Middle East homeland for Iraq's Assyrian minority.

The indictment was the second in eight days that the U.S. government had formally accused alleged representatives of Mr. Hussein's government of illegal activities.

On March 29, the Justice Department unsealed another indictment in San Diego charging four Iraqis and the export manager of a front company in London on charges of attempting to smuggle U.S.-made nuclear warhead detonation capacitors to Iraq for use in a nuclear bomb.

Amir Anbari, Iraq's ambassador to the United Nations, refused to identify the diplomat who had left the country. He said his government denied "the accusation or the involvement of any Iraqi in this episode or in this case."

He said the indicted man, Andri Khoshaba, 47, who was identified by the Justice Department as a former driver at the United Nations mission, had worked at the mission as a doorman but was dismissed last year.

Law enforcement sources said Mr. Khoshaba had spent the last year living in Modesto, California, and was working part-time as a painter. He was arrested by FBI agents Feb. 17 for suspected involvement in the assassination plot.

Mr. Khoshaba was then released for lack of evidence and is now a fugitive who is believed to have left the country, a law enforcement source said.

Moscow Rebuffs a Missile Ban

Gorbachev Found Multiple Warhead Plan Too Limited

By Michael R. Gordon
New York Times Service

WASHINGTON — The United States last month secretly proposed a ban on land-based missiles with multiple warheads, but President Mikhail S. Gorbachev replied that the plan was too limited, according to administration officials.

In a letter delivered to President George Bush on Friday by Foreign Minister Eduard A. Shevardnadze, Mr. Gorbachev complained that the proposal excluded sea-based ballistic missiles, which Moscow has long wanted to cut.

Multiple-warhead missiles are considered deadliest weapons in the U.S. and Soviet nuclear forces.

The missiles are capable of destroying several enemy targets at one time and thus make a preemptive strike a more attractive option to military planners, experts said, while the missiles themselves represent attractive targets.

In contrast to other elements of the arms talks, the closely guarded exchange over the missiles was known to only a small group of administration officials. It added an extra dimension to three days of talks in Washington in which U.S. and Soviet arms control specialists focused on a series of unrelated technical disputes blocking the completion of a treaty cutting long-range nuclear weapons.

The failure to at least narrow those differences surprised administration officials, a source said Saturday. Those officials said they believed that the Soviet Union's tougher position reflected a reassertion of the military's power in Moscow at a time when Mr. Gorbachev appears preoccupied with Lithuania's independence movement.

White House spokesmen refused to confirm the secret exchange over Mr. Bush's proposal.

The proposal represents the first significant effort by Mr. Bush to put his stamp on the strategic arms negotiations. Before the offer, Washington had essentially been following the approach taken by the Reagan administration.

The presentation of the American proposal was a political victory for Brent Scowcroft, the national security adviser, who has seen multiple-warhead land-based missiles as particularly dangerous weapons.

One official said that Secretary of State James A. Baker 3d first presented the U.S. proposal when he met with Mr. Shevardnadze last month in Namibia, where both were attending independence ceremonies for the newly independent nation.

The U.S. proposal, presented as an informal suggestion, is a two-step plan.

Initially, it would ban mobile land-based missiles with more than one warhead.

This step, which could be taken as part of the strategic arms treaty currently being negotiated for signing this year, would prevent the United States from deploying 10-warhead MX missiles on rail cars.

It would force Moscow to remove its 10-warhead SS-24 missiles from railroad launchers and to put them in stationary silos.

The second step would be the eventual elimination of all land-based missiles with multiple warheads.

Administration officials said Moscow did not show interest in the first stage of the Bush proposal — to ban mobile land-based missiles with multiple warheads as part of the strategic arms treaty under negotiation.

Mr. Gorbachev is reported to have addressed Mr. Bush's more sweeping goal to ban all land-based missiles with multiple warheads in his letter to Mr. Bush.

Mr. Gorbachev reportedly objected that the proposal only covered land-based systems, U.S. officials said.

Moscow has long expressed concern over U.S. plans to deploy new, highly accurate D-5 ballistic missiles on submarines.

According to current plans, each D-5 missile is to carry eight warheads. The United States has rebuffed Soviet suggestions that it sharply curtail its force of submarine missiles.

The United States has long placed most of its ballistic missile warheads at sea while the Soviet Union has put most of their ballistic warheads on land.

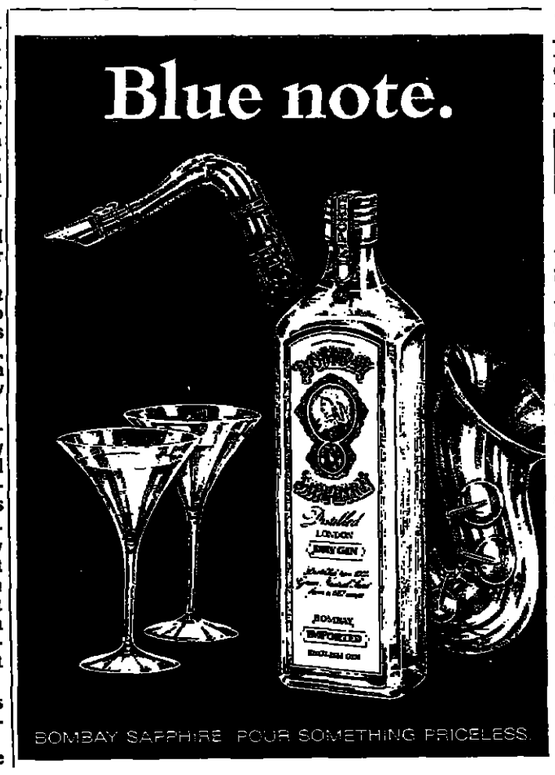
Mr. Baker on Friday refused to discuss any details of his talks with Mr. Shevardnadze on multiple-warhead missiles, indicating the matter was under discussion.

Seoul Rejects Asylum For a Soviet Seaman

Reuters

SEOUL — South Korea has rejected a request for political asylum by a Soviet seaman who said he wanted to go to the United States, the police said Sunday.

The 42-year-old crewman from a Soviet freighter made his request at the police station in the southeastern port city of Ulsan on Saturday. South Korea and the Soviet Union have no official ties, but nonpolitical links between them have flourished since the 1988 Seoul Olympics.



Launching Puts China Into Space Market

By Daniel Southerland
Washington Post Service

BEIJING — China successfully launched an American-made telecommunications satellite into orbit Saturday, heralding the country's entry into the international space market.

A Chinese-made Long March 3 rocket carrying a satellite produced by the Hughes Aircraft Co. for a multinational consortium blasted off after a minor delay. China's national television network broadcast the launch of the 135-foot-long (41-meter) rocket live from the remote city of Xichang, in southwestern Sichuan Province.

The stakes for China in entering the international satellite-launching business are enormous. The launchings are expected to bring the country tens of millions of dollars in foreign exchange while adding significantly to China's international scientific prestige.

While the foreign exchange is vital, the prestige and sense of achievement provided by the launch offer Chinese officials an especially important boost at a time when the Communist Party leadership is under international criticism for its human rights record.

Although China met all of the conditions designed to safeguard U.S. satellite technology and to prevent unfair trade practices, last year it appeared that Saturday's launch would be scrapped because of sanctions imposed by the United States following the Chinese Army's crackdown on demonstrators for democracy in Beijing on June 3-4.

But last December, President George Bush waived a congressional prohibition on the export of U.S.-built satellites for launch by Chinese rockets on the grounds of U.S. national interest. Mr. Bush argued that the satellite would provide badly needed telecommunications services to friendly Asian nations and would support the U.S. aim of maintaining commercial relations with China even while imposing some sanctions against Beijing.

Ambassador James R. Lilley of the United States, who was present at the launching, said in a toast that the successful launch "symbolizes the positive elements of the U.S.-China relationship." Mr. Lilley said that the satellite will bring the "communications revolution" to millions previously outside the reach of modern communications in China and in other Asian nations.

Chinese scientists and technicians shook hands and hugged each other at the launch site. Within minutes, four of China's leaders — the party chief Jiang Zemin, Prime Minister Li Peng, President Yang Shangkun and the senior leader, Deng Xiaoping — called in their congratulations.

China is only the fifth country — after the United States, the Soviet Union, France and Japan — to develop and launch its own satellites. It has launched 26 of its satellites, but Saturday's was the first of a U.S.-built one.

American companies had lobbied against the use of Chinese rockets to carry U.S.-made satellites because of what they described as unfair, subsidized launch prices offered by the Chinese. China is reported to have charged $30 million to carry out the Saturday launch, reputedly much less than European or U.S. concerns would have charged.

The Chinese can do the job more cheaply than others, partly because the salaries of scientists and technicians here are much lower than those in the West. But more than a year ago, China agreed to charge fees in keeping with international pricing standards.

The AsiaSat satellite launched Saturday will be used mostly for commercial television. The satellite belongs to Asia Satellite Telecommunications Ltd., a private consortium owned equally by Cable & Wireless PLC of Britain; the Beijing-based, state-run China International Trust & Investment Corp. and Hong Kong's Hutchison Whampoa group.

The satellite was launched once before, as the Westar 6, by the space shuttle Challenger in 1984, but it failed to reach its intended orbit and was retrieved by another space shuttle mission.

Bush Will Shield Chinese Students

Washington Post Service

WASHINGTON — President George Bush has said he will issue an executive order to protect Chinese students in the United States from deportation, saying "that will certainly convince people, those that might be skeptical, that I have every intention of keeping my word."

The announcement followed complaints in Congress that Mr. Bush had not issued such an order, as he promised earlier this year when Congress upheld his veto of legislation to protect the students.

Mr. Bush said an executive order would extend until 1994 the period in which Chinese nationals cannot be deported.

'Vanity Press' Authors Win $3.5 Million Suit

By Ronald Sullivan
New York Times Service

NEW YORK — Their books had titles like "The Sex Life of a Football Referee," "Letters I Wish I'd Mailed to the Man Who Divorced Me to Marry a Waitress" and "Toilets: A Guidebook to the Bathrooms of the World."

But all they were asking for, the authors of Vantage Press said, was a chance to be treated as any writers should be — for a fee, granted. On Friday a Manhattan jury granted their wish, awarding a total of $3.5 million in damages to 2,200 authors of the largest "vanity press" in the United States.

At issue in the three-month trial in New York Supreme Court was the question: Had Vantage Press lived up to its promise?

Unlike mainstream publishers that pay authors advances and then try to sell and actively promote their books, vanity presses generally charge writers $3,000 to $20,000 to edit and print anywhere from a dozen to several hundred copies of their books.

Vantage, its authors contended, had duped them into believing that their books would be published, placed in bookstores and advertised to the book-buying public.

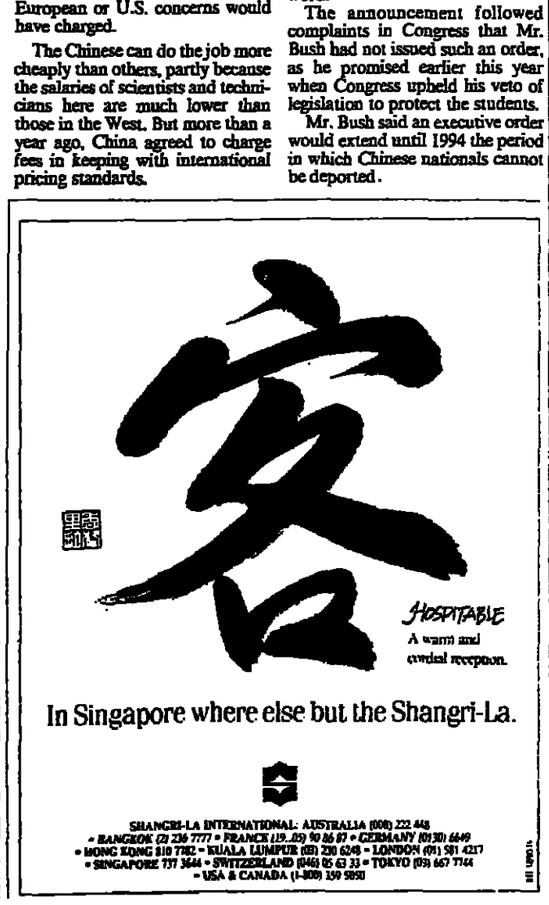
"Vantage operates a sham operation rife with fraud and phantom editors," said the plaintiffs' lawyer in a class-action suit. But the defendant's lawyer said that Vantage "did exactly what it promised these authors," publishing their books and advertising them in mailings and small trade publications.

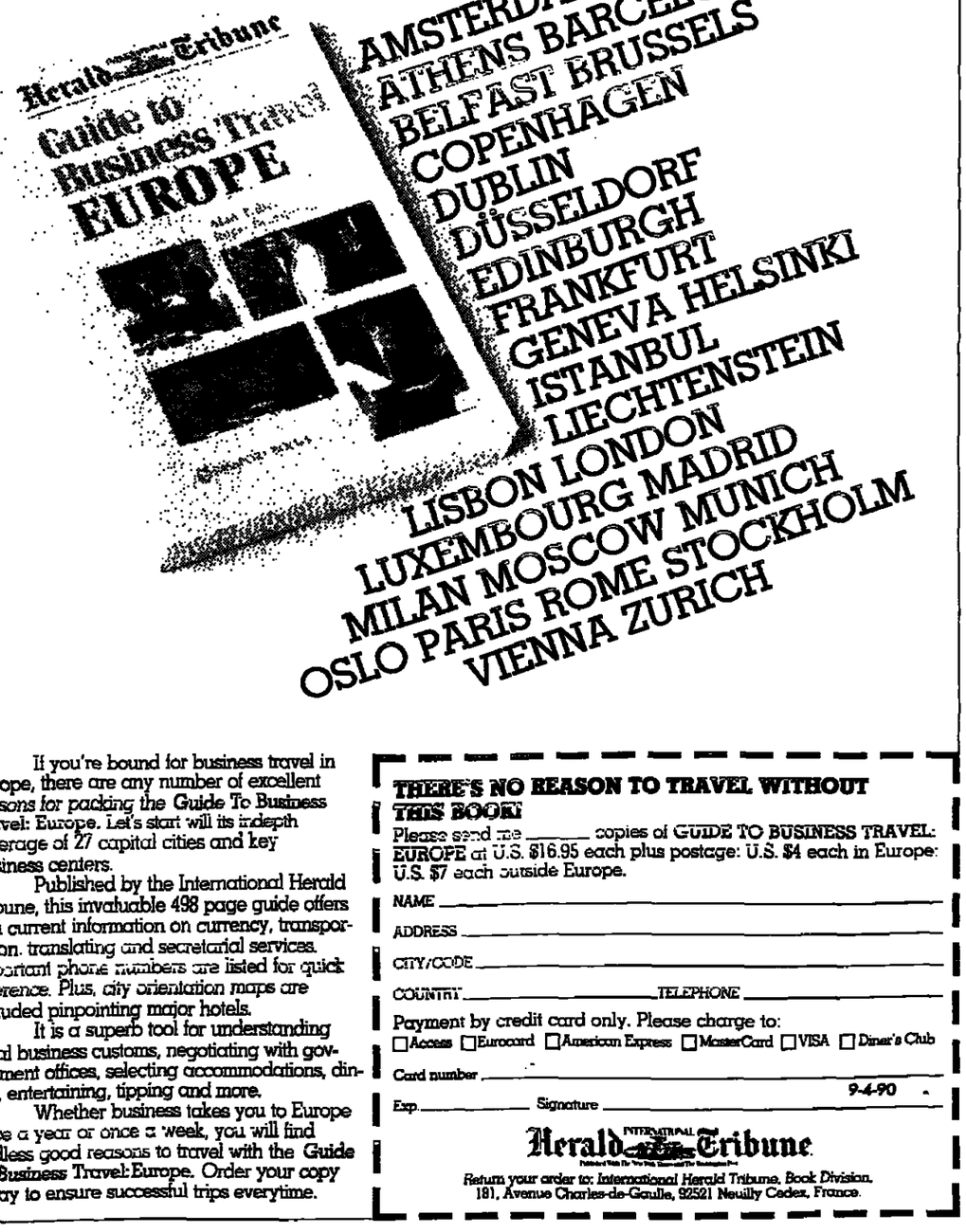
If the award survives appeal, each of the 2,200 authors will share in the award once the court stipulates the plaintiffs' lawyer's fee.

The judge, Carmen Ciparick, refused Vantage's request to set aside the verdict. Instead, she said she would hear legal arguments on May 23 and warned both sides that "this case is not over yet."

Vantage, which issues about 400 books a year, is widely regarded as a last resort for those intent on seeing their writing published.

In 1958, it was ordered by the Federal Trade Commission to stop making misleading statements. The order barred Vantage from claiming it printed manuscripts of merit and that it aggressively promoted its books.





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OPINION

Gambling on Gorbachev

George Bush, so often criticized as timid, is gambling, and gambling boldly, on Mikhail Gorbachev. The president had the choice of slowing summit preparations until Soviet policy in Lithuania had passed the test of American conscience and opinion. Instead he decided to keep up the superpower momentum and to forge ahead with a Washington summit, starting on May 30, and even to advance it a few weeks for the convenience of Mr. Gorbachev's calendar. In other words, he apparently did not make the early summit meeting contingent on the outcome of the Soviets' power squeeze on Lithuania.

The risk is, of course, that Mr. Gorbachev will think he can have his way in Vilnius and in Washington, too. We think he would be wrong to so conclude. Mr. Bush may be unready, publicly at least, to say that Mr. Gorbachev is relentlessly cutting the corners of his promise not to use force in Lithuania; the Soviet leader insists he is merely enforcing the law. Congress, however, is increasingly in a mood to keep its hand on some of the economic and other benefits that Mr. Gorbachev hopes will flow from a summit, and these will surely be conditioned on what happens in the Baltics. We trust that President Bush was able to convey to the Soviet foreign minister that, reluctant as the United States would be to take the step, there is a degree of Soviet repression of the independence movements that will provoke a strong American response. Such familiar "linkage" exists as it always has on two levels: as a tool available for diplomatic wielding and as a blunt fact of political life.

Meanwhile, it is logical for Mr. Bush to pursue the benefits for the United States that lie in the arms control, regional, economic and other issues under negotiation with the Soviet Union. These are things desirable in themselves and essential to deepening the current, generally positive trend of world events. A summit is the accepted, useful and necessary mechanism for giving political impetus to these matters and for resolving what Mr. Shevardnadze called the residual "hard choices." As everyone was reminded by the hitches and hesitations that developed in the talks in Washington last week, there is nothing easy or automatic about reaching agreements even with a Soviet leader regarded as conciliatory. No one familiar with the long and frustrating efforts to reap benefits on the scale now being sought can look lightly on the possibility that they will be lost.

Precisely there lies the responsibility of the Soviet Union to act in a way — the respectful way that the vaunted Soviet "new thinking" supposedly dictates — that will let this process go forward. Mr. Gorbachev has the initiative here; Washington is in a strictly reactive role. No one denies that he faces a dilemma in Lithuania. But his standing and perhaps also his durability as a political leader depend on his capacity to resolve that dilemma in terms at one with the Soviet Union's new international obligations.

— THE WASHINGTON POST.

Progress With Japan

The new trade agreement between Japan and the United States is promising. Japan pledges to reduce its barriers to imports and foreign investment. America says it will become more competitive. Neither will happen overnight, and some undertakings will not be fulfilled. But the fact of a broad understanding may help calm the two nations' increasingly contentious relations.

The agreement is an "interim report" on lengthy talks over deep-rooted practices that hamper trade, such as Japan's law that limits department stores and the U.S. law that won't let the Japanese buy Alaskan crude oil. A final report is due in July. The proof will be in the follow-up. Politically difficult legislation is required of both countries — and, even more difficult, new attitudes among bureaucrats and businesses.

Japan's commitments are substantially broader than any it has made before. Previous agreements dealt with disputes over specific products or trade restrictions. Parts of the new agreement do relate directly to trade, such as speedier customs clearance for imports to Japan. New ground is broken by Japan's pledges to bear down on antitrust violations and price fixing, speed approval for new department stores, stem the land price spiral with new taxes, and spend more on public works. These measures should stimulate Japanese consumption and, it is hoped, boost imports. Likewise, in side agreements Japan said it would increase imports of U.S. supercomputers, telecommunications equipment and satellites.

The United States has agreed to little more than existing administration policy, including better education, increased private savings, reducing the cost of capital and putting out a welcome mat for foreign investment.

How likely is it that either government will deliver? Prime Minister Toshiki Kaifu admits that some Japanese interests will find the proposals "painful." But he rightly points out that Japanese consumers would gain from such things as the wider variety offered by department stores, and moderated prices for land and thus housing. How much he can push through the Diet is unknown; his party controls only one chamber. Also, there is no telling what Congress will approve. In both capitals, some proposals will be rejected.

How much will America's trade deficit with Japan be reduced? That is impossible to say. The changes would help, but not right away. The important point is that the Japanese economy will be more open to foreign competition from all quarters.

— THE NEW YORK TIMES.

Politicking in Israel

Israel's efforts to form a new government have reached extremes of open vote-buying. Likud, which dominated the outgoing broad coalition with Labor, is doing its share, but Labor, which now seeks to form a narrow coalition without Likud, is plainly doing more. Apparently, Labor's leader, Shimon Peres, sees no other way to build a Knesset majority behind his principal immediate policy objective, which is to move quickly into talks with the Palestinians. Labor's supporters inside and outside Israel are in the uncomfortable position of having to hold their noses. They do not condone the corruption, but they hope that its intended fruits — power for Labor — will give Israel a new chance for peace.

It is a fair question whether a bought, narrowly based Labor government can give Israel a stable political platform for the difficult choices that will be thrust upon it if it enters what would be Israel's first acknowledged political talks with Palestinians. Yet the old Labor-Likud coalition had used up its mandate — which was to work within the confines of domestic consensus — and was proving unfit to exploit the new diplomatic openings. Specifically, major Palestinian elements now claim to be ready for a negotiated two-state solution. Like Likud, Labor refuses to recognize the PLO and its statehood aim. But, unlike Likud, Labor accepts talks with the Palestinian delegation that Washington and Cairo have been quietly helping to assemble. The halfway reasonable hope is that these talks, as they begin, will earn broader political support among Israelis and Palestinians alike.

Just a couple of weeks ago, Israel's conservatives and their like-minded American supporters were insisting that recent statements by the Bush administration had set back the cause of peace and disqualified the administration as a Middle East mediator. In fact, these statements — on aid, East Jerusalem and terrorism — usefully highlighted the active American interest in moving beyond the old slogans of the status quo toward a negotiated settlement. The new edge on American policy has stirred Palestinians to be demonstrably more forthcoming and cooperative in their approach to the long-sought talks with Israelis. It is providing essential encouragement to those Israelis — at least half the population — who favor talks with Palestinians. Shameless as Israel's politics may be, an unprecedented opportunity and, of course, a risky one, is there for its taking.

— THE WASHINGTON POST.

Other Comment

Put the Idle Young to Work

Work takes place in a disciplined environment — possibly the only disciplined environment left. From the Tory Party let there be a clearer recognition that unemployment, in modern conditions, is more of a social outrage, not less, than it used to be, and can never justifiably be used as an economic weapon. Let Labor support measures to put a stop to the welfare abuse that allows a small but significant — and increasingly sinister — section of the population to escape into subsidized idleness. Let both parties recognize the centrality of the place of work in producing responsible citizens — more central now, for most people, than the family, the school, the Church or class. What "house training" is to puppies, work is to the young. Idleness has always bred mischief. Now it breeds mayhem which is more serious than mischief and requires a more rigorous response.

— The Sunday Telegraph (London).

Exporting the Tobacco Habit

At a time when the U.S. government is battling cigarette smoking at home, it is hard to reconcile the fact that the Americans are threatening trade sanctions against countries that try to keep out U.S. tobacco products. American tobacco companies, facing declining sales at home and in Europe, are looking to the developing world for new markets. Developing countries where smoking is common, or those for which revenues from tobacco taxes and cigarette sales constitute a sizable portion of the economic pie, should look beyond immediate gains and learn a lesson from the Americans themselves. According to the U.S. secretary of health and human services, Louis Sullivan, smoking costs a whopping $52 billion a year in health expenses or time lost from work in the United States. It is difficult today for anyone to make a case for encouraging smoking.

— The Straits Times (Singapore).

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Make the U.S.-Japanese Alliance Work

By Cyrus R. Vance and William Gleysteen Jr.

NEW YORK — Are Americans going to risk letting resentment and emotion, rather than a commonsense understanding of national interest, govern the critically important relationship with Japan? The White House has the necessary authority to explain a complicated situation to a confused American people.

For most of the postwar period, appreciation of the economic and security benefits of ties with Japan offset the inescapable strains of a major alliance. These strains included complaints that Japan was taking unfair advantage of the international trading system. Now that pragmatism is being undermined by ignorance and emotional recrimination. Japan's economic prowess, combined with a fading Soviet threat, generates a new sense of rivalry and anxiety.

Too many politicians, publicists and others have exacerbated this situation by playing on popular anxieties, arousing fear and anger. The Japanese have reacted with mounting nationalism and frustration. American leaders have done little to counteract these growing tensions and explain the stakes to the American people. If the world's two greatest economic powers allow this emotional infection to lead to real hostility, both will be the poorer and far less secure.

If Japan adopts a more independent, "Gaullist" course, it could destablize the regional equilibrium only recently achieved in East Asia. Other countries would become far more uncomfortable about Japanese power and would, more than ever, want America as a buffering force in the Pacific. The United States, however, would find it difficult, if not impossible, to maintain a forward presence in the Pacific without easy access to Japanese bases.

If naked rivalries suppressed cooperation, the economic consequences would jeopardize the prosperity of both nations. If Americans clearly recognized these dangers, few would want to start down the slippery slope of protectionism and open antagonism in dealings with Japan.

It is foolish to criticize the Japanese for not being more like Americans. But one can properly fault them for failing to change policies adopted in earlier years for survival and development. These policies are now as unfair to Japanese consumers as they are to other nations.

Obviously, Japan could help check the growing antagonism by accelerating its movement toward a less regulated society, and by taking on substantially greater global responsibilities. Presumably, progress in this direction will require some pressure from abroad. But the decisive factor must be Japanese awareness that the change is in their national interest. As can be seen from Japanese reaction to the new trade pact, this awareness is developing.

What must be done on western side of the Pacific? First, Americans must blunt their anti-Japanese rhetoric. Second, they need to be told in the most authoritative and attention-grabbing way about the full range of interests at stake.

Third, Americans have to put their own house in order. This would include steps to radically reduce the federal budget deficit, increase the savings rate and lengthen the time horizon against which business success is measured.

There will be occasions when Washington should use well-timed, well-aimed pressure to accelerate Japan's progress toward liberalization. But in no instance should the United States resort to the protectionism that it wishes Japan and others to shed. If America manages its relations with foresight and restraint, it will find a new glue for the U.S.-Japanese alliance. In an era in which economic ties will define the common fate, this relationship must be made to work.

Mr. Vance, secretary of state in the Carter administration, and Mr. Gleysteen are chairman and president, respectively, of the Japan Society. They contributed this comment to The New York Times.

Let Verification Praxis Bring On the New Security

By Flora Lewis

VIENNA — East and West are flailing around for a European security system that can transcend the Cold War balance of terror without falling back into the dangerous prewar national balance of power.

For the moment, there are two approaches. One is to stick narrowly to existing negotiation tracks based on rival blocs, even though the East bloc is disintegrating. The other is to conjure a state of generalized "mutual security" where everybody guarantees the peace and safety of everybody else and nobody is afraid.

Neither can work as the crucial transition. Stability does not mean the status quo, which has already fallen apart without a new base for international relations. All kinds of negotiations are going on, but they depend on each other and can block each other unless they are synchronized. A major example, but not the only one, is the status of a united Germany.

But there is no basis yet for a leap to a Europe where permanent peace is taken for granted. The Conference on Security and Cooperation in Europe, the 35-state Helsinki accord, is offered as the framework for lots of fuzzy ideas to accommodate all interests — East, West and neutral.

It is appealing, but in the same way the League of Nations was appealing after World War I: dependent on the assumption of goodwill. Getting from here to there takes more than thinking up new institutions.

A Polish Communist, at an East-West meeting here, said succinctly: "Our system collapsed because it was built on a concept. If you base a new security system on a concept, it, too, will be doomed to collapse."

That does not mean that the CSCE can't be useful. It can provide a forum for regular political consultations, an umbrella for regional groups and cooperation on pragmatic issues like pollution, energy and transport.

The United States is too timid on accepting a CSCE meeting this year, which the Soviets and all the Europeans want as an earnest of trying to end the East-West divide with nobody excluded. Washington fears that it will lead to dissolving NATO. That may be Moscow's hope, since its own alliance proved worthless.

There is little risk. Western Europe is not tempted, especially given new uncertainties about Germany. The CSCE is too frail to be a security system and too big for tough negotiations on disarmament, which imply concessions of sovereignty. A better approach would be to build on practical measures instead of trying to institute concepts. The verification regimes being worked out to support arms control agreements offer a solid base. Most important will be the system to monitor reductions of conventional forces in Europe, being negotiated in Vienna by the 23 NATO and Warsaw Pact members.

Verification of existing and expected arms control agreements involves detailed, highly technical proposals. There are regimes for the treaty eliminating medium-range nuclear weapons, the expected strategic missile and Open Skies accords, and confidence-building measures. All are intrusive, requiring states to let others see key elements of their military activities and preparations.

As now being negotiated, the verification regimes contain no constraints beyond exposure. But that is already a powerful deterrent to a secret arms buildup. It is a long-term program, since not only will destruction of existing weapons and withdrawal of troops be monitored, but inspections will continue to make sure that they are not replaced.

When they have gone into effect and states come to feel that they know what confronts them and have adequate warning against new threats, the political climate will change, making broader agreements possible.

The European Community is a good example. It started with the Coal and Steel Community. Jean Monnet, who launched the idea, had a grandiose goal — to make another war between Germany and France impossible. By focusing first on vital nuts and bolts, he persuaded governments to accept commitments that they would never have dreamed of making on overall national policy.

Step by step, the Common Market grew both in size and in responsibility as members saw that the benefits of working together were so much greater than the risk of letting down their guard. And the success of the Community has, in effect, overpowered the partition of Europe.

The goal now is that no nation feel threatened. There are new dangers of ethnic conflict and civil wars that could spread. The verification regimes can begin to bring needed assurance. This concrete program, not high-flown rhetoric, can change the meaning of security in Europe.

The New York Times.

A Simple Way to Keep the New Germany in NATO

By William Pfaff

LONDON — The key difficulty that German unification presents is what to do about security arrangements. Chancellor Helmut Kohl and the Western allies say a united Germany must belong to NATO.

The alternatives are a Germany which belongs to neither alliance, or one which belongs to both — the latter an ingenious notion but not a very serious one. The new Germany could be part of some larger pan-European association or confederation, but that has yet to be created. And the question remains: What happens to the combined Germany's very considerable military forces?

If Germany were to be removed from its existing Western and Eastern security anchorages, it would become a sovereign military power in a way that none of its neighbors are sovereign, since they would remain bound by treaty obligations to one another, deploying or limiting their forces in prescribed ways. The prospect of Germany in such a situation of absolute autonomy is what has provoked such anxiety in recent months.

In considering what can be done, it is useful to look to the origins of Western defense arrangements and of Germany's security role. In 1947, Britain and France signed a 50-year treaty of mutual defense against a resurgent Germany, the Treaty of Dunkirk. A year later Belgium, the Netherlands and Luxembourg joined an expanded version, directed not against Germany but against aggression generally. This was the Treaty of Brussels, out of which came the defense organization called the Western European Union.

The WEU still exists, and regularly meets, but its practical functions were taken over by NATO when it was set up in 1949, bringing the United States and Canada into a common defense effort with Western Europe. Germany belonged to neither organization. It was still disarmed and occupied.

The developing perception of Soviet threat posed the question of Germany's rearmament. John Foster Dulles, the American secretary of state, demanded it, threatening that otherwise there would have to be an "agonizing reappraisal" of the U.S. commitment to Europe. Most West European governments were cool to the idea. France placed obstacle after obstacle before the plan for a European Defense Community, which would have created an international army, incorporating Germany's forces, even though France had proposed the scheme in the first place. In the end, the French Parliament killed that plan in 1954.

Foreign Secretary Anthony Eden of Britain then took the initiative, offering a simple solution: Enlarge the Brussels Treaty to include West Germany and Italy, the former enemies, and admit the Federal Republic to NATO. German rearmament would then take place with limitations on the munitions and weapons that West Germany could manufacture (no nuclear or chemical weapons, etc.) and without a German general staff. All West German forces would be integrated into NATO, under the allied supreme commander. This was done, and remains the arrangement today.

If East Germany simply adheres to the West German republic, as advocated by the government in Bonn, it will automatically assume the obligations and treaty commitments of the Federal Republic. The new Germany will be a member of the European Community, the Western European Union and NATO — unless it specifically renounces these commitments.

Moscow is justified in objecting to East Germany's adhesion to the WEU and NATO, since this moves the West's military frontier eastward to the Polish border, while Soviet forces now in East Germany would find themselves stationed within NATO territory. Nonetheless, this solution offers advantages to the U.S.S.R.

Don Cook, a historian of the Atlantic community's early years and a veteran foreign correspondent, has offered this proposal: Germany unites; it automatically becomes part of NATO; the allied supreme commander declares that what has been East Germany now is an area excluded from NATO force deployments; the German government disbands East German military units and the East German command, and assigns to frontier police and newly created territorial units responsibility for security in eastern Germany.

Nothing is done about Soviet forces, but it is assumed that the Kremlin will withdraw them at a pace consistent with its own interests and capacity to resettle these forces inside the Soviet Union.

This solves a number of difficulties. It assures Poland and the Soviet Union of a comfortably large demilitarized zone between them and Western military deployments. It provides the new Germany firm anchorage in the cooperative political institutions of Western Europe and the Atlantic community, with German military forces under international command.

It solves the problem of what happens to the German army, which stays where it is, doing what it now does, under the same command as now. It offers the Germans solid assurance that Germany's security remains embedded in the mutual security of the Western community.

As NATO's future supreme commanders could (and should) be European, this solution need imply no invidious perpetuation of U.S. primacy in Western Europe, yet it assures a continued North American commitment to German as well as European security, which everyone wants.

The great advantage of this plan is its simplicity. No one has to create new structures, or negotiate new treaties. It all happens naturally.

Nobody currently is offering anything better. If Washington is looking for a way to show its capacity to lead, why not the Cook plan? Mr. Cook, a modest man, would surely be willing to see his plan become the Bush, or Baker, plan.

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Sri Lanka: Hope in an Uneasy Calm

By James Pringle

COLOMBO — A dark-eyed Tamil girl with plaited hair and a Chinese AK-47 assault rifle held out the cyanide capsules she wore around her neck. Tamil Tigers swallow them if captured. "We are not afraid to die for Tamil Eelam," she said, referring to the Tamil concept of a separate homeland. "We are fighting Sri Lankan military oppression. We want a separate state without any interference."

No one could doubt her sincerity. After all, 27 Tamil Tiger "ladies," as they are called by male soldiers in the Liberation Tigers of Tamil Eelam army, died in battle with Sri Lankan troops and the Indian peacekeeping force. The Indians left Sri Lanka last month after suffering 1,155 dead in an unsuccessful attempt to disarm the often fanatical Tigers. Some have called it India's Vietnam.

But instead of a bloodbath in which the ruthless Tigers would have fallen on Tamils who cooperated with Indian forces, and renewed fighting between the well-armed Tigers and the Sinhalese-dominated Sri Lankan army, an uncertain peace reigns in the Tiger-ruled north and east. There are tentative hopes for at least an easing of the mayhem.

Once called "Serendip" because of the feeling of well-being it engendered among seafarers, Sri Lanka achieved independence from the British in 1948, as Ceylon, without bloodshed. However, it has been wracked in recent years by a cycle of violence. Last year the conflict caused 12,000 deaths, by the government's conservative estimate — more than in China or Romania.

Last August it seemed that the administration of president Ranasinghe Premadasa was about to collapse before an onslaught by the extreme leftist Sinhalese Janatha Vimukthi Peramuna, or People's Liberation Front. But the JVP made the mistake of killing families of soldiers and police. The security forces responded in kind, and by December they had eliminated the JVP leadership.

Driving in the south in recent days, I saw the grisly remains of several dozen bodies of JVP suspects lying by the roadside where they had been left by security forces. "It has been horrible, but it has worked," a Western diplomat said. "Six months ago, no one could have believed that the situation would have become as relatively normal as it is now. In that sense, you could say the end justified the means."

Human rights organizations, such as Amnesty International, have been appalled at the carnage. Death squads, formed from elements of the armed forces and bodyguards of senior politicians, are said to be responsible for some of the killings.

In February, Richard de Zoysa, a journalist interested in human rights, was taken from his mother's home at night by men in uniform. Since his death, five other local journalists have fled the country.

The Sri Lankan Bar Association called for an end to all abductions by military and paramilitary units. In the past month the number of such killings does appear to have abated.

After coming to power in 1989, President Premadasa called on India to withdraw its forces. It is in the north of the country that his policies have had most success so far, although the Tigers refuse to disarm as they promised to do once the Indians left. At least negotiations between the government and the Tamil militants are under way.

Part of the reason is that both the Sinhalese, who form the majority of the 17 million population, and the minority Tamils are sick of the war that has left parts of Jaffna in ruins and maimed thousands of people. The Tigers know this, and have to bow to the peace sentiment. A majority of the country's Tamils live outside the Tamils' northern heartland and are fairly well integrated into the Sinhalese population.

Mr. Premadasa has pledged to remove discimination against Tamils and made some political concessions. Tiger officials say they can do business with him. "I don't think there is an overwhelming desire among Tamils for a separate state," a Sri Lankan academic said. "What may emerge in the end is some kind of federal system." An independent Eelam would not be achieved "but it will be approximated."

Of course, the country's trials are far from over. The government must rein in the death squads and address the combustible grievances that spawned the JVP, including lack of employment for Sri Lanka's educated youth and a system of political patronage based on favoritism.

International Herald Tribune.

Necessarily A Lot of Lithuanias

By Stephen S. Rosenfeld

WASHINGTON — The Andy Warhol rule of celebrity is being applied. Lithuania may end up being famous, dominating the public consciousness, for only 15 days. Then it's the turn of some other place or problem — is Estonia next? — to have its moment in the international sun.

This is Mikhail Gorbachev's fate: Having embarked on reform, he has committed his country to one wrenching crisis after another for an indefinite time. Each new upheaval poses seemingly insoluble challenges to the leadership, the institutions, the national and social fabric. Each is not so much solved as partly massaged, partly evaded and then not so much put aside as overtaken by the next.

At each stage as this process unfolds, Americans will have the same three questions. Is it good for the Lithuanians, the consumers, the writers, the environment, the economy — whomever or whatever? Is it good for Mr. Gorbachev? Is it good for us?

Only the last question is familiar. The first two are characteristic of the age we now are in. Lithuania has provided the most strenuous exercise so far in balancing these questions. Given the chaotic rush of Soviet events, more strenuous tests of American judgment and equilibrium are likely to come.

Is what is happening in Lithuania good for Lithuania? The impatient elected Lithuanian leadership chose the dangerous do-it-yourself fast track to independence over the dangerous slower track of negotiation with Moscow. There was inevitability as well as justice and drama in its choice, but it would have been hard to say in advance which track was going to be more uncertain.

Still, tanks in the streets do not crush — they whet — the expectation that Lithuania is going to be free. Whatever Mr. Gorbachev fails to yield at the moment, he will be asked to yield in the near future. This is so because, I think, he does not really expect to tuck Lithuania permanently back into the Soviet fold.

He is trying to assert enough central authority to make the inner empire's inevitable loosening and/or disintegration somewhat orderly. Lithuania is the likely first beneficiary of heightened pressure on him to show that he is no Brezhnev, no Khrushchev.

Is the Lithuanian passage good for Mr. Gorbachev? He let the crisis drift, then improvised to catch up, then got ugly: a sobering performance. If he can shift Baltic events back into political channels, he will have reasserted the sort of leadership that will let him lurch on and face the waves of nationality challenges lying ahead.

Meanwhile he will be able to resume the conduct of a foreign policy whose larger concrete payoffs, in allowing him to shift resources and energies to domestic purposes, are only now coming within reach. And just in time: The economy is broken, and people are scared that he is losing control.

He has just arranged the political powers and the political structure that he intends to use to make economic perestroika more than a slogan. Exit the image of Gorbachev as masterful international statesman. Enter the embattled domestic politician. This is his crucial role. He does not have to win or dazzle every time. He has to show he has the stuff for the long haul.

Is Lithuania good for the United States? Next to Mr. Gorbachev's, George Bush's choices have been small and easy; so much more is at stake for the Russian. Mr. Bush simply needs to wiggle through, which means keeping Lithuania's independence chances alive for a later day, preventing a loss of momentum in Soviet-American relations and holding his domestic political base intact.

By the familiar Cold War theory of "the worse the better," Mr. Gorbachev's embarrassments, costs and distractions are to U.S. advantage: All these things reduce the Soviet threat. This theory has its lingering appeal, but the view increasingly visible at the top of the Bush administration is that it is Mr. Gorbachev's successes and achievements, not his failures, that now diminish the Soviet threat.

The larger, longer-term American advantage, it is thought, lies in the Soviet Union's becoming a plausibly democratic society that works. Therein lies the ultimate irreversibility.

But along the way there will no doubt come one, two, many Lithuanias — many crises of the Soviet system, many invitations to disaster. They reflect, however, not simply the system's flaws but the very method that Mr. Gorbachev has chosen to revive it — the weakening of central authority to stir initiative and renewal. It's not over until it's over.

The Washington Post.

100, 75 AND 50 YEARS AGO

1890: Blast in the Forest

PARIS — Some interesting experiments were made the other day in the vicinity of Copenhagen with tree felling for military purposes, by dynamite. The object was to ascertain the saving in time and labor effected by this method and the results were exceedingly satisfactory, far more so than is understood to have been the case elsewhere. Trees as much as 3 feet in diameter were brought down in 20 to 25 minutes, whereas the time occupied by ordinary felling would probably have been ten times as much.

1915: Verdun at Stake

LONDON — Describing the recent operations in the Voivre, a correspondent of the "Morning Post" says the Germans still hope to invest and capture Verdun. Such a success would make a great impression on the neutral Powers, and would be a great encouragement to German public opinion, which demands sensational news.

1940: Alien Bill Vetoed

WASHINGTON — President Roosevelt today [April 8] vetoed the recently approved bill providing mandatory deportation of alien saboteurs, spies and drug addicts. The reason given by the President was the that the bill might "result in hardship not commensurate with the benefits that might be derived from this legislation by the community." He added that the government is already empowered to deal firmly with spies and saboteurs, recalling that he recently signed a bill increasing the penalties for these offenses.

The perennial anti-lynching bill recently passed again by the House was reported out by the Senate Judiciary Committee. Observers doubted that the bill would be considered by the Senate this session, at least not until the major appropriations bills are finished. If the bill reaches the floor of the Senate, it is almost certain to encounter a determined filibuster by Southern Senators.

For Bonn, Windfall From East

Surging Demand Boosts Economy

By Ferdinand Protzman
New York Times Service

BONN — Surging demand from East Germany is giving West Germany's economy an unexpected boost and bolstering Bonn's claim that monetary union of the two nations can be financed without raising taxes.

West Germany's economy, the largest in Europe, will grow by 4 percent this year and is likely to grow by about 3.5 percent in 1991, according to the nation's five leading economic research institutes. Details of the institutes' annual spring report, due to be released Monday, were published Sunday in the Frankfurter Allgemeine Zeitung.

Because of the unexpectedly strong demand for West German goods and services, the institutes revised their economic growth forecast for this year sharply upward. In their annual fall economic report, the institutes had predicted 3 to 3.5 percent growth for this year.

Demand from East Germany will also provide "considerable impulse" for West German economic growth in 1991, the institutes said. They said this would depend heavily on swift implementation of a program of comprehensive, market-oriented economic reforms by East Germany's newly elected democratic government.

The article said that the program would amount to East Germany adopting West Germany's economic, legal and tax systems. That would fit in well with Chancellor Helmut Kohl's plans. His conservative coalition government is currently reviewing and revising the draft of a state treaty on monetary union and common economic, social and tax policies. Bonn hopes it will be signed by early May.

Since the conservative Alliance for Germany triumphed in East Germany's first free elections on March 18, monetary union of the two Germanys is expected to take place by July. Many observers say reunification will be completed by the end of 1991.

But a dispute over the costs of monetary union and what conversion rate East Germans should receive when their currency is replaced by the Deutsche mark has split Mr. Kohl's cabinet and divided public opinion.

The Bundesbank has proposed a rate of one Deutsche mark to two East marks for all funds except a small portion of East Germans' personal savings. Finance Minister Theo Waigel of West Germany, as well as Economics Minister Helmut Haussmann, are said to support that plan.

But Foreign Minister Hans-Dietrich Genscher is opposed. He believes the political risks carried by the one-to-two rate are too great and favors a conversion at parity.

In cities across East Germany last week, thousands of people marched in protest against the Bundesbank's plan.

The five institutes did not name a conversion rate, but they are widely believed to regard one-to-one, particularly for wages, as overly generous, given the overall weakness of East Germany's economy.

West Germans are also deeply concerned that the cost of financing monetary union — whether with a one-to-one conversion rate or a less generous swap — will inevitably drive their taxes higher as Bonn assumes the financial burden of rebuilding East Germany's decrepit economy. Seeking to allay those fears, Mr. Waigel says the government has no plans to raise taxes and intends to push ahead with planned tax cuts in 1991.

Mr. Waigel quickly seized on the report to bolster the government's position. In a television interview Sunday, the finance minister said monetary, economic and social union with East Germany could be financed solely by West Germany's economic growth.

He said there would be no tax increase in the 1991 legislative period if the Kohl administration remains in power after the national elections in December. But some taxes could possibly be changed or postponed, Mr. Waigel said.

East Germans Gain on Coalition

By Serge Schmemann
New York Times Service

BONN — East Germany's new political leaders said Sunday they had agreed on the basic outlines of a coalition government and expected to have it ready by the next session of parliament on Thursday.

Representatives of the dominant conservative alliance led by the Christian Democrats and of the second-place Social Democrats met for seven hours Saturday and again Sunday night. Spokesmen said that most political issues had been resolved, and what remained were largely matters of personnel.

Officials in Bonn said the prospect that a government headed by Lothar de Maiziere, chairman of the Christian Democrats, could be in place Thursday raised the possibility that negotiations with West Germany on currency, social and economic union could begin by April 20, after an Easter break.

Chancellor Helmut Kohl has hoped to demonstrate progress in East Germany in time for regional elections scheduled for May 6.

Maneuvering over a new government has been under way since East Germany's first democratic elections March 18, when Christian Democrats and two small allies won 48 percent of the vote. Social Democrats won 22 percent and a Liberal coalition, the other partner in the "grand coalition" now being formed, won 5.3 percent.

Though the conservatives could have formed a government with the Liberals, along the lines of Mr. Kohl's coalition with the Free Democrats in Bonn, Mr. de Maiziere from the outset sought to form a "grand coalition" with the Social Democrats to achieve the two-thirds majority needed to change the constitution and to spread the political responsibility for the task of leading East Germany to reunion with West Germany.

The negotiations bogged down, however, over Social Democratic reluctance to join a coalition with the small, rightist German Social Union and because of accusations that some new politicians were former secret-police informers. The chairman of the Social Democrats, Ibrahim Böhme, resigned last week under the pressure of the accusations.

The new leaders of East Germany have also come under pressure from public anger over reports that West Germany is contemplating exchanging East German currency at two-to-one for the West German mark, instead of one-to-one as the East Germans anticipated.

The first sitting of East Germany's new parliament last Thursday was accompanied by nationwide demonstrations demanding a one-to-one conversion rate. That is likely to be the major issue when representatives of the new government begin talks with Bonn this month.

Reports from the coalition negotiations indicated that the parties agreed on basic policies of unity and market economy.

Hungarians, in 2d Round of Voting, Expected to Withhold a Majority

By Blaine Harden
Washington Post Service

BUDAPEST — Hungarians returned to the polls Sunday for the second round of an election in which voters soundly reject the Communists who ran this country for more than four decades. But it appears unlikely that they will give any opposition party an absolute majority.

[State television, reporting preliminary results four hours after polling stations closed, showed the conservative Hungarian Democratic Forum the winner in 60 of 171 seats contested Sunday and the leader in 64.

[Their closest rivals, the liberal Alliance of Free Democrats, were far back, holding 20 seats and ahead in 27.

[Official results were not expected before Tuesday. But the clear conservative advantage forced an early concession from Miklos Haraszti, a leading Free Democrat, who told a television interviewer, "It is clear that the HDF will gain the most seats."]

Since the first round two weeks ago, the two strongest opposition parties have been urged by economists and bankers to form a "grand coalition."

Supporters of such a coalition say it is the only way for a new government to come up with the expertise and broad political base needed to carry out painful free-market change.

Hungary has the highest per-capita debt burden in Eastern Europe, surging inflation, collapsing living standards and a stagnant industrial economy that is 90 percent state-owned.

The parties that finished first and second, however, have spent much of the last two weeks attacking each other. The attacks have included smears linking opposition leaders and their fathers with communism, Nazism, Maoism, fear-mongering and provincialism.

Jozsef Antall, president of the Democratic Forum, accused the leaders of the Alliance of Free Democrats of a "Bolshevik mentality," of being "former Marxists and Maoists," and of having come out of a tradition that is "opposed to the whole Western political arrangement.

"We don't think a grand coalition is such a good idea," Mr. Antall said Saturday. "We would regard it as a forced marriage."

A historian who turned 58 Sunday, he is regarded as the most likely prime minister if the Democratic Forum maintains its lead. His party last week agreed to a coalition with the farm-based Independent Smallholders Party, which finished third in first-round voting. That agreement appears to have put the Democratic Forum in the strongest position going into Sunday's voting.

The first round settled less than one-third of the seats in the 386-member parliament.

Mr. Antall's party draws its political strength by harkening back to family-based "Hungarian traditions" of the late 19th century, a rare epoch of self-rule and prosperity in a country cursed for centuries by foreign rule.

The party demands human-rights guarantees for the 3.5 million ethnic Hungarians living in bordering countries. It has committed itself to free-market change, but only with state regulation that would control foreign investment and soften economic pain.

The Alliance of Free Democrats, an urban-based party led by ex-dissidents, began the two-week interlude between election rounds by emphasizing its "primordial differences" with the Democratic Forum. The Free Democrats advocate immediate free-market change, with virtually no regulation on foreign investment and drastically reduced powers for the government.

The Free Democrats, some of whose leaders were members of the Communist Party in the 1960s, last week accused Mr. Antall's party of being soft on Communists.

All the opposition parties have promised to exclude Communists from any role in a coalition government. The Socialist Party, the renamed successor party to the Communists, won only 11 percent of the first-round vote.

The Free Democrats also published articles linking the patriotic excesses of the Democratic Forum to Nazism.

By the end of last week, however, the Free Democrats had begun to acknowledge that they were not in the driver's seat.

Vargas Llosa Faces Runoff After Heavy Peru Voting

The Associated Press

LIMA — The novelist Mario Vargas Llosa took an early lead in Sunday's presidential election, but he was falling far short of the majority needed to avoid a runoff, unofficial projections showed.

Leftist guerrillas of the Shining Path group tried to sabotage the election by attacking some polling stations in Lima with dynamite on Sunday, but no one was reported injured. The attacks followed a day of guerrilla assaults in Lima and two other cities, which killed at least two persons and wounded 30, authorities said.

The Shining Path has assassinated six congressional candidates and killed or wounded dozens of other people in recent weeks in a bid to disrupt the election.

Mr. Vargas Llosa, who was running on a free-market ticket, said after voting, "Peruvians are resoundingly rejecting all attempts by subversive groups to block the elections."

He captured 37 percent of the vote, according to an exit poll by APOYO, a market research firm.

The poll said that Alberto Fujimori, an independent, was in second place, with 25.5 percent of the vote.

APOYO said its results were based on the initial 35 percent of its total interviews nationwide. But it added that there was a big enough sample to project a final vote.

The poll said that Luis Alva Castro, the candidate of the governing American Popular Revolutionary Alliance party had 12.6 percent of the vote. It said that Henry Pease, the candidate of the United Left party, had 6.5 percent, while Alfonso Barrantes, who ran for the Socialist Left party, got 3.6 percent.

The rest of the votes were spread among four minor party candidates and blank or nullified votes, the poll showed. Officials returns were not expected for weeks.

Voters were choosing a leader to replace President Alan Garcia Pérez, whose five-year term ends July 28. He is legally ineligible to serve a consecutive term.

The Associated Press
Lennart Borberg, the captain of one of the Star's rescue ships.

FERRY: *Arson Suspected on Ship*

(Continued from page 1)

cabins and that the crew managed to put out two but was unable to control the third.

As the ferry continued to burn at a dock in the port of Lysekil on Sweden's west coast, the authorities here said that the captain had a list of 493 passengers and crew on the Scandinavian Star.

But Mr. Aukrust said that it was still unclear exactly how many people were on board because some people who drove trucks onto the ferry may have not checked in as passengers and could have had their own passengers in their vehicles.

Some lists were also partly burned in the fire, he said. The ferry, equipped with a casino, pool, disco, sun decks, restaurants and shops, could carry 800 passengers and crew. The passengers were mainly Norwegians who were taking advantage of cheaper prices in Denmark.

The fire was the worst North Sea ship disaster since March 6, 1987, when a car ferry, the Herald of Free Enterprise, capsized off the Belgian port of Zeebrugge, killing 189 people. Blame for that accident was placed on ship personnel who failed to close bow doors, allowing water to rush in.

Reuters quoted one Norwegian survivor as saying, "I attentioned the crew to the fact that there was an arsonist on board and asked them to post guards but nothing happened."

SUMMIT: *Widening Baltic Issue Raises the U.S.-Soviet Stakes*

(Continued from page 1)

tensification of the slice-by-slice "salami tactics" of pressure and intimidation against Lithuania and the other Baltic states of Estonia and Latvia as they struggle to secede from the Soviet Union.

Such pressure tactics by Moscow since late March have already affected congressional and public opinion in the United States, which is why the administration felt it necessary to issue strong declarations Friday. Further tightening of the screws by Moscow would doubtless bring further erosion of the domestic support for Mr. Bush's cautious handling of the Baltic issues.

According to U.S. sources, Mr. Shevardnadze made it clear in talks with Mr. Baker that he was deeply concerned about the possibility of an unexpected or uncontrollable incident that creates a crisis in Lithuania. In this respect, the world's most important strategic relationship, that between Washington and Moscow, is for the time being vulnerable to events that may not be controllable from either capital.

The situation in Lithuania might seem to have no conceivable relationship to arcane issues involving sea-launched cruise missiles in a strategic arms treaty. But some senior Washington officials believe Moscow's apparent backtracking on these questions in the arms talks here last week was symptomatic of a broad set of Kremlin troubles that includes the Baltics.

To some practiced Washington eyes, the Soviet leadership seems nervous, troubled and at times unable to cope with an overload of tough decisions at home and abroad. Moreover, the Soviet military and conservatives within the Soviet Communist Party are raising increasingly sharp questions about Mr. Gorbachev's policies.

There is broad consensus among Bush administration policymakers that objections from the Soviet military were behind what the Americans said was a clear-cut reversal on sea-launched cruise missiles, one of the most difficult issues in a new strategic arms pact. In Moscow in February, the Soviet negotiators headed by Mr. Shevardnadze seemed to accept Mr. Baker's basic idea of a "declaratory approach" to dealing with these weapons, under which each side would declare its number of these arms rather than one based on strict numerical limits and difficult verification. Mr. Baker thought he had nailed down this agreement, which he announced at the time.

Last week Soviet negotiators reopened this issue and, in essence, seemed unwilling to accept key elements of the U.S. "declaratory" approach. "It appears that the military was not involved in the decision-making in February," said a senior official. "They accused the negotiators of giving away the store and said they won't accept it, and they let the political leadership know. Now the Soviets are trying to walk it back."

What will happen on cruise missiles and other sticky arms questions in the Soviet Union five weeks from now, when Mr. Baker and Mr. Shevardnadze meet again as the summit meeting approaches, is anyone's guess.

Links with Lesotho Suspended by China

The Associated Press

BEIJING — China has suspended diplomatic relations with Lesotho after the small African nation established ties with Taiwan.

Beijing recently suspended ties with three other countries that have recognized Taiwan — Grenada, Liberia and Belize.

VERDICT: *More for Poindexter?*

(Continued from page 1)

had testified that the president knew nothing of the diversion.

A critical element of the case against the admiral was the November 1985 Israeli shipment of U.S. Hawk missiles to Iran. Mr. Reagan had been fully informed about the shipment beforehand.

This shipment, which the White House thought would bring home all the U.S. hostages in Lebanon in time for Thanksgiving, involved the Defense and State Departments, the Central Intelligence Agency and the National Security Agency as well as the White House.

The president later signed an intelligence "finding" drafted by Stanley Sporkin, then general counsel of the CIA, which sought to give after-the-fact authorization for the agency's extensive involvement in the Hawk shipment.

That finding said that "certain foreign materiel and munitions may be provided to the government of Iran, which is taking steps to facilitate the release of the American hostages" — in other words, a direct acknowledgment of the exchange of arms for hostages. In court, a prosecutor, Dan K. Webb, called the finding "the most critical piece of evidence" in the Poindexter case.

The Reagan administration, in its first reactions to revelation of arms sales to Iran, suggested that it knew it had a problem with the November 1985 shipment. Charles J. Cooper, an assistant attorney general, warned his boss, Attorney General Edwin Meese 3d, in mid-November 1986 that the Hawk shipment may have been illegal.

A few days later, Mr. Meese said at a televised news conference that Mr. Reagan and his administration knew nothing about the Hawk shipment until January 1986, at which point the United States demanded that the Hawks sent to Iran be returned to Israel.

In fact, the United States knew about the shipment before it occurred; the Hawks were returned to Israel because Iran didn't like the model. The United States made no demand of the kind that Mr. Meese mentioned.

GUNS: *The U.S. Weapons Industry Takes Its Best Shot*

(Continued from page 1)

ment, hailing the search for civilian by-products.

"If a laser can destroy a missile half a world away," the advertisement said, "Imagine what it could do to a cancer cell at a few centimeters."

Boeing even suggested that one of its lasers could be used to "treat disease, and also in surgical and diagnostic procedures."

And the Pentagon's Strategic Defense Initiative has an office that does nothing but tout civilian spin-offs.

The initiative appears to be contributing to the development of cars, food preservation, oil wells, heart defibrillators, leg braces, blood purifiers, kidney-stone breakers and even instruments that can track killer bees.

"We're starting to see an avalanche" of civil applications, said Colonel Daniel L. Heitz of the air force, the director of the civilian spin-offs program.

Eagerness for peace projects is especially great at the Lawrence Livermore National Laboratory, a sprawling federal base in California that designs nuclear and other arms.

"Livermore knows it can't survive if it does weapons and nothing else," said Hugh E. Dewitt, a physicist at Livermore.

Recently, a team at Livermore aggressively moved onto the turf of the National Aeronautics and Space Administration, promoting the idea of inflatable spacecraft as a way to slash the cost of sending Americans to the moon and Mars.

The laboratory's X-ray laser, once meant to destroy Soviet missiles, now was being advertised as an extremely powerful microscope for biological research.

And a group of Livermore scientists recently founded Phoenix Laser Systems Inc. The firm is advocating a system for eye surgery based on the laboratory's SDI technology.

"It's a kinder, gentler laser," a company spokesman said.

The hunt for the peaceful spin-offs also is accelerating at the Sandia National Laboratory in Albuquerque, New Mexico, another federal center for arms development, where an electric gun is being hailed as ideal for boosting small satellites into orbit.

The Los Alamos National Laboratory in New Mexico, the birthplace of the atomic bomb, also is promoting nonmilitary by-products.

The laboratory's director, Siegfried S. Hecker, recently said that Los Alamos and other Energy Department installations were ready and willing to aid industry in perfecting "supercomputers, lasers, energy technologies, environmental control, superconductors, biotechnology, materials synthesis and processing and semiconductors."

Ugandan Minister Arrested

The Associated Press

KAMPALA, Uganda — Brigadier General Moses Ali, Uganda's minister of culture, youth and sports, has been arrested on a charge of sedition, a presidential press secretary said Sunday. She declined to provide further details.

In Greece, Conservative Party Edges Forward

The Associated Press

ATHENS — The conservative New Democracy party made slight gains Sunday in the third national elections in 10 months, but needed more to break a political stalemate, early returns indicated.

Returns from 1,780 of the 16,58 polling stations showed New Democracy with 48.4 percent of the vote, enough to win if that percentage held overall.

But computer projections showed that was only 0.3 percent higher than its total for the same stations in November and not enough to win a majority.

The Interior Ministry computer projections showed small parties and independents gaining the most with totals 2.7 percent higher than the last election.

The ministry said that the Panhellenic Socialist Movement was running 2.3 percent behind November's totals and the Communist-led alliance 0.7 percent behind.

The New Democrats narrowly missed a majority in the last two elections and could take control of the 300-seat parliament with a 1 percent gain in votes.

The Socialists and the Communist-led alliance are not considered strong enough to win outright, but they could win enough seats to prevent a conservative victory and form their own coalition government.

National elections last June and November denied any party the parliamentary majority needed to govern.

The deadlock itself has become an issue because the weak coalitions formed after those two elections were unable to cope with a foundering economy and a resurgence of political terrorism.

Greece faces severe economic problems. The budget deficit has risen to $15.6 billion and the inflation rate, the EC's highest, hit 17.5 percent last month.

The weak coalitions that governed after the June and November elections also postponed decision on a U.S. extradition request for a Palestinian wanted for the bombing of an airliner in 1982 over Hawaii and on a new military base agreement with the United States.

The four U.S. military bases in Greece could close in November unless a new agreement is reached with Washington.

Two of the four bases have already been slated for closure by the Pentagon in cost-cutting measures.

In June, voters rejected the scandal-tainted Socialist government of the two-term prime minister, Andreas Papandreou, but denied a majority to Constantine Mitsotakis, 71, the Conservative Party leader.

Mr. Papandreou and some of his ministers were indicted on corruption charges after a Conservative Communist coalition was formed following the June election.

No trial date has been set, and the former prime minister remains a political force despite the indictment, health problems and an open affair with Dimitra Liani, 36, a former airline hostess whom he married after divorcing the American he had been married to for 35 years.

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ACROSS

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28 "—— in the Family"
29 "—— De-Lovely," 1936 hit
30 Choreographer Lubovitch
31 Unisonally
34 Foofaraw
35 Shade of blue
38 Seder staple
39 Ancient Greek shrine
40 Hgt.
41 Me. university town
42 Election winners
43 Pig pad
44 Donkey, in Metz
45 Where Gauguin died
47 Crusader slayer
52 False, malicious report
54 Classic western film
55 Youngster's activity at a seder
59 Stripped
60 Japanese apricots
61 Dill herb
62 Masts
63 Vipers
64 Towel word

DOWN

1 Luges
2 Poison
3 From the beginning
4 Moisten, in a way
5 Pacino and Smith
6 Happen to
7 French hat
8 Hebrew lyre
9 Garbo et al.
10 Star in Orion
11 A Khan
12 Vigor
13 Triple this for an Italian wine
18 Ill. university city
19 Large, extinct mammals
23 Like a good sermon
25 "She stood ... amid the —— corn": Keats
26 Portuguese territory in China
27 Angered
29 Fish or suffix
31 Pineapple
32 Splash through mud
33 Whirlwinds or vowels
34 Hill dweller
35 Fam. member
36 Single part
37 Culbertson
38 Turkey portion
43 Tolerates
44 "... see,/My love —— ...": Shak.
46 More gelid
47 Calla lilies
48 Islamic division
49 River at Lyon
50 Kind of tube
51 Hatching posts
53 Bluish green
55 Attendance-book abbr.
56 Maple-sugar source
57 Malay isthmus
58 Draft gp.

Solution to Previous Puzzle

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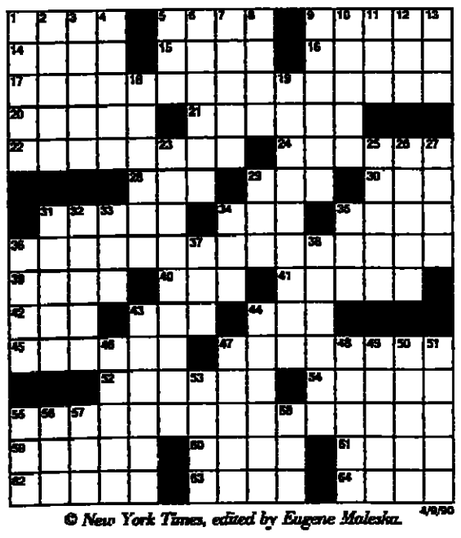

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30. Prices may vary according to market conditions and other factors. April 6

Dollar Straights

Governments/Supranationals

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
A D B	11¾	93	106	9.48	+86
A D B	8	96	92	9.67	+83
A D B	9⅝	99	101½	9.42	+85
A I D C	8⅝	96	93¾	9.75	+95

Banks & Finance

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Abbey Natl	7⅞	92	96	9.94	+121
Abbey Natl	10⅛	94	100¼	10.07	+122

Global Corporates

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Amer Brands	8⅝	92	97	10.36	+161

Dollar Zeros

Issuer	Mat	Price	Yld	Spd Trsy
A D B	n.a. 94	28⅝	9.22	+13

Floating Rate Notes

deutsche marks

dollars

ecus

pounds

TO OUR READERS IN HOLLAND

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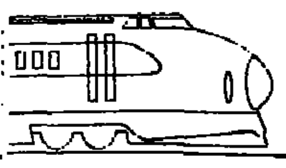
MUTUAL FUNDS

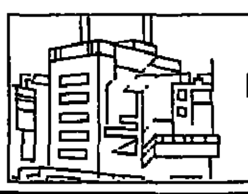
Figures as of close of trading Friday, April 6.

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

Fund	Bid	Ask
AALMutual:		
CaGrp	10.89	11.43
Incop	9.44	9.91
MuBdp	9.86	10.35

NL— No initial sales load. f—Previous day's quote. r—Redemption charge may apply. x— Ex dividend.


FROM
HIGH SPEED
TRAINS


TO FAST
BREEDER REACTORS
In Touch with Tomorrow
TOSHIBA

INTERNATIONAL CREDIT

Junk-Bond Market Shows Why It Got That Name

By Paul Richter
Los Angeles Times Service

NEW YORK — The news was heavy from the high-yield junk-bond market last week, and most of it was bad: Columbia Savings & Loan Association said it was insolvent. Southland Corp., owner of 7-Eleven stores, said bankruptcy may lie ahead. First Executive Corp. took a bruising $836 million loss.

Companies with these bonds in their investment portfolios revealed gaping wounds had been inflicted by the junk-bond market's 9-month-old collapse. And corporations that in the 1980s sold high-yielding paper to investors willing to risk their money for the hefty returns were finding that dazzling deals were sometimes too good to be true.

Some of the companies may be only temporarily disabled. But many others seem fated to join America's growing corporate junkyard.

Shaky insurance-company investment portfolios could be the next horror story.

To be sure, some investors recently have seen signs of hope in the junk market. A few high-yield mutual funds have lately reported net inflow of cash from investors. Prices of some junk bonds — down 20 percent on average since last June — have recently turned up, prompting predictions from some quarters that the worst may be over.

Others see it differently. Richard Lehmann, president of the Bond Investors Association, a trade group in Florida, wrote his members last week to urge them to resist the blandishments of junk-fund salesmen. Mr. Lehmann said he expected a wave of junk defaults of more than $15 billion this year, brought on by a weakening economy, the increase in the number of high-yield issues reaching maturity and the low quality of junk bonds issued at the end of the 1980s.

The near-halt in the issuance of new junk bonds, he said, could push some companies that need refinancing into insolvency. Only three junk issues, worth $375 million, were floated in the first quarter of the year, compared with 26 issues, worth $5 billion, in the first quarter of 1989.

Mr. Lehmann said he believed the junk-bond market would soon be as battered by defaults as it has in recent months by the sharp slowdown in trading. The current lull "is like being in the eye of a hurricane," he said. "And as with a hurricane, the winds batter you twice — from opposite directions."

MANY MARKET PROFESSIONALS have compiled lists of possible junk-market casualties. While most of the bad news about savings and loan associations may now be out, there could be be horror stories from the insurance industry as insurers reveal assets tied up in impaired securities.

Even relatively strong companies are turning up on these "watch" lists. Some analysts put R.H. Macy & Co., the big retailer, on their lists when it posted a $39 million second-quarter loss last month. Others are keeping an eye on RJR Nabisco Inc., considered the cream of the market.

RJR bonds have been rising lately on speculation that its principal owner, the Kohlberg, Kravis, Roberts & Co. buyout concern, would buy back bonds that are due to have their interest rates reset next year to enable them to trade at their original face value. But others wonder where KKR will find the $1 billion to $2 billion needed to do so.

Among the casualty lists that have emerged are:

Drexel Burnham Lambert Inc. The convulsions of the junk-bond market were not the only cause of the investment house's fall last February, but they were a principal contributor. Ironically, it was Michael R. Milken, former chief of Drexel's junk-bond operations, who almost single-handedly created the high-yield business.

Previously, companies that could not obtain investment-grade ratings generally did not sell bonds, and the only junk debt on the market was that sold by companies that had subsequently fallen on hard times. Mr. Milken, however, convinced investors that the high risks of low-rated bonds were offset by the superior returns. Enthusiasm for junk bonds expanded the business from a $2 billion market in 1982 to a peak value of more than $200 billion.

Drexel's fall showed just how fast a crumbling junk market could wreak disaster. Its chief executive, Frederick H. Joseph, who declared that a turnaround was at hand in January, announced Feb. 13 that a cash crunch was forcing the corporate parent of the brokerage house into seeking bankruptcy protection. The final blow for Drexel was its inability to refinance short-term borrowings, largely because lenders found the junk bonds offered as collateral to be insufficient.

With Drexel gone, the major market maker was lost, and junk-bond holders found their investments to be increasingly illiquid.

First Executive. Fred Carr, chairman of the life-insurance

See JUNK, Page 9

Debt Raises Questions for UAL Buyout

By Keith Bradsher
New York Times Service

NEW YORK — Airline industry analysts have expressed doubts about whether the tentative agreement reached Friday for an employee buyout of UAL Corp. would be enough to restore United Airlines to the No. 1 position in the domestic airline industry.

On one hand, the tax advantages, wage concessions and improved morale associated with an employee buyout may have turned the $4.38 billion offer for the UAL, the airline's parent, into the company's best available option, they said.

But the deal will mean taking on more debt, they added, and the resulting higher interest costs may cancel out most if not all of the advantages.

American Airlines, which in November 1988 replaced United as the nation's leading carrier, has a light debt load.

"There seems to be a misunderstanding that United becomes a low-cost carrier because of these wage concessions," said Kevin C. Murphy, an airline analyst at Morgan Stanley & Co. "That's simple-minded."

Daniel M. Kasper, a transportation consultant in Boston, said, "The positive feature is you get for some time a calm labor situation, with people pulling in the same direction. The price you pay is a heavily leveraged airline."

The unions did not reveal exactly how they would finance the takeover, a point that kept UAL's stock price well below the $201-per-share face value of the bid. UAL shares fell $2, to $163.50, on Friday. The collapse of financing last autumn for a proposed $300-a-share takeover by UAL pilots, managers and British Airways PLC, stunned the stock market and helped send the Dow Jones industrial average 190 points lower on Oct. 13.

The new buyout proposal comes at a crucial time. United's share of traffic carried by U.S.

'The price you pay is a heavily leveraged airline.'
Daniel M. Kasper, consultant.

airlines has stagnated for the last four years at about 16 percent, while American's share has grown to 17 percent from 13 percent in 1986.

American, a subsidiary of AMR Corp., is pouring the extra revenue into buying new aircraft, with plans to spend $21 billion over the next five years, and half of its 8,300 pilots have been hired at entry-level wages in its rapid expansion since late 1983.

United's top management has expressed fears that its airline may be in a vicious circle, with slower growth leading to lower investment spending and less hiring of younger and less expensive pilots, which in turn leads to even slower growth.

United has hired a quarter of its more than 6,500 pilots since introducing low entry-level wages four years ago, and has made commitments to invest $9.1 billion, principally for aircraft, over the next four years, said Sara Darnecker, a spokeswoman for the company.

Wall Street analysts estimated that Friday's agreement would probably require UAL to make extra annual interest payments ranging from $400 million to $500 million.

To defray this expense, United's unions have agreed to wage concessions of $300 million in the first year after the deal, rising to $500 million in five years.

In addition, repayment of the principal borrowed to finance the transaction would be tax deductible, a person familiar with the deal said. This benefit would exceed $150 million a year and make up the difference between the interest payments and the wage concessions.

The Friday agreement also calls for the unions to raise $240 million from the sale of securities related to UAL's 50 percent interest in the Covia computer reservation system, at a time when government and private studies have repeatedly shown that control over such a system is vital to a worldwide airline.

■ United Air Lines Bond Ratings Cut

Moody's Investors Services Inc. said Friday it had cut the ratings of United Air Lines Inc. on $788 million of secured, senior unsecured and senior subordinated debt.

Standard & Poor's Corp. said Friday it would also lower United's ratings into the speculative-grade category if the takeover transaction was executed as described.

Beijing Plans Private-Sector Restrictions

Reuters

BEIJING — Tightening the screws on the private sector, China will soon issue new regulations restricting private business activities, an official newspaper said Sunday.

China Daily said the government would prohibit private enterprises from doing business in such sectors as finance, foreign trade, the military, real estate, railways and ocean shipping. The manufacture of and dealing in dangerous chemical products, explosives, some medicines, and important raw materials would also be banned.

The government would, however, encourage private businesses in the service sector, "small commodities" and farm products, it said.

The newspaper added that high-technology and export-oriented enterprises would be helped.

All private businesses will have to re-register to keep their licenses under the new regulations, according to the report.

More than three million private entrepreneurs have been driven out of business since the Chinese government launched an austerity policy in late 1988 to curb runaway inflation and overheated economic growth.

But the China Daily said that under the new rules, private enterprises "would soon discover new business opportunities thanks to government efforts to reinvigorate the market."

Beijing would also restrain overzealous local governments, which have banned private firms for doing lawful business, the newspaper said.

Private businesses, which were encouraged since reforms were launched in 1978, have been the first to suffer from sudden policy changes.

China's leaders have made it clear in recent policy speeches that the private sector would be allowed only a limited role in the economy and that a middle-class of entrepreneurs must be stopped from emerging.

Separately, the People's Bank of China granted a 110 million yuan ($23.3 million) loan to prevent automakers from going out of business, China Daily said Saturday.

The money was lent to the China National Automotive Trade Corp. in an agreement signed on Thursday. The loan was in addition to 700 million yuan granted the company for buying car stockpiles since last October, the newspaper said.

The government is likely to loosen control on institutional buying of cars and take other measures to accelerate car replacement purchases, the China Daily quoted Chen Ping, automotive trade unit's chief economist, as saying.

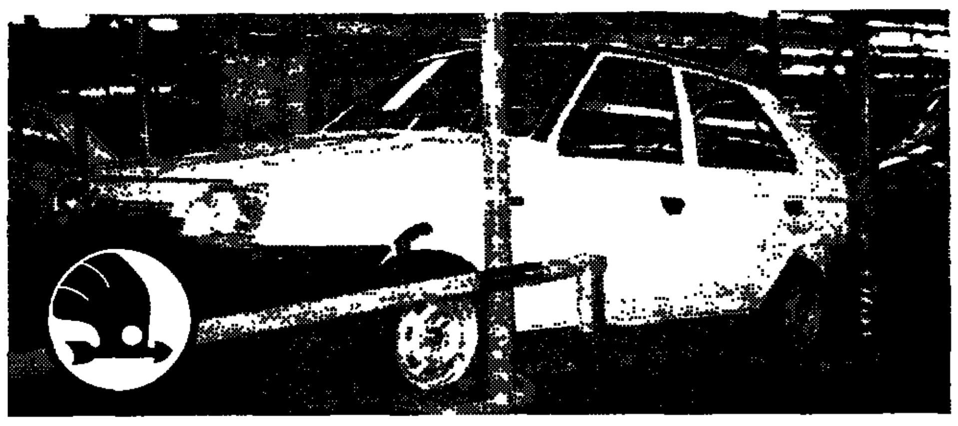
Why Western Suitors Line Up for Skoda

By Julie Sell
International Herald Tribune

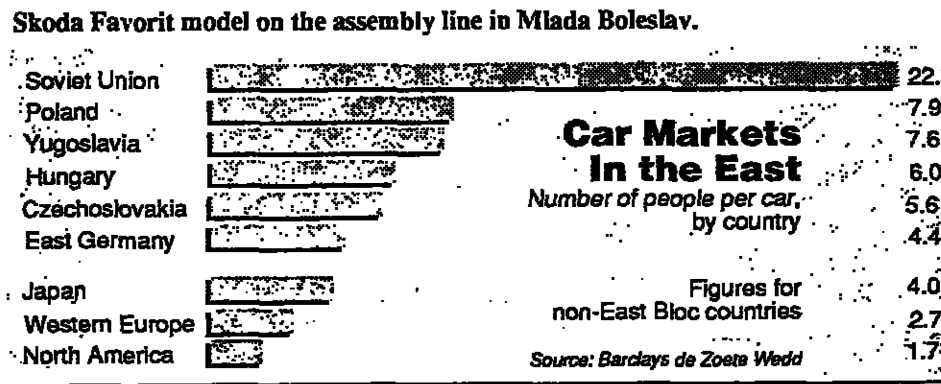
MLADA BOLESLAV, Czechoslovakia — For years, the two major forces in this city have been the Red Army and the sprawling Skoda auto works.

Now everything is in flux: The Soviet troops are due to pull out by year's end, and Westerners are lined up at the door of the state-owned automaker.

Skoda is being courted by a string of foreign suitors that hope to strike production deals. The pace of talks has accelerated since the installation of a non-Communist government in Czechoslovakia late last year.



Skoda Favorit model on the assembly line in Mlada Boleslav.



Julie Sell/International Herald Tribune

Two factors make Skoda an appealing partner for foreign automakers, analysts said: Its reputation as a relatively efficient, modern operation compared with East Bloc competitors, and its strong position in an Eastern car market that has major growth potential. The firm's experience exporting to Western Europe, where its Favorit model has been generally well-received, is also seen as an important advantage.

As a result, analysts said, Skoda is in a fairly good position to play various West German, French, American and Japanese automakers off against each other before striking a production deal. Frontrunners in the negotiations are said to be Volkswagen AG of West Germany and Renault of France, although Bayerische Motoren Werke AG, General Motors Corp., Citroën SA and Subaru have also talked with the Czechoslovakian carmaker.

Skoda said it had not finalized a deal with anyone, and would not do so before the government passed legislation defining the rights and responsibilities of private enterprise in Czechoslovakia. That legislation, along with other economic reforms that have become bogged down in the early months of non-Communist rule, is expected to be passed before the national election in June.

A company spokesman, Jiri Danhelka, said he expected Skoda to sign a deal "the moment the laws are out."

Offering an insight into the company's negotiating position, Mr. Denhelka said the "the best offers have come from German firms," but added that there were some concerns about being consumed by a larger automaker.

The desire of Skoda to maintain its identity is clearly an important factor in negotiations. Mr. Danhelka said three major conditions for any deal are that Skoda's brand name be retained, all of its 21,000 employees be kept on, and the company be allowed to pursue its own research.

"The fear the Czechs have is of being swallowed," said Stephen Reitman, an analyst with UBS-/Phillips & Drew in London.

Mr. Reitman said Volkswagen is seen as a strong contender because Skoda has been impressed with VW's relationship with the Spanish carmaker SEAT, which VW controls. The German company has allowed the Spanish concern to retain a degree of independence with its own research and model-development programs, and the analyst said he believed Carl H. Hahn, the chairman of Volkswagen's managing board, has offered a similar deal to Skoda.

Mr. Danhelka referred several times to the proud tradition of carmaking in Mlada Boleslav, a city of 50,000 where almost every family has a Skoda connection.

The company now known as Skoda was founded here in 1894 by Vaclav Klement and Vaclav Laurin to make bicycles and motorcycles, and it began making cars in 1905. In 1925, Laurin & Klement became part of the giant Skoda engineering concern based in Plzen, south of Prague, and adopted the Skoda name. The connection with Skoda in Plzen ended in 1946, however, when the car-making operation was spun off separately under state control.

Skoda now makes about 190,000 cars per year — only the Favorit is in production — and accounts for more than 80 percent of the cars on the road in Czechoslovakia, Mr. Danhelka said. Unfortunately, he added, many of those are ancient models that have long been out of production, and a significant percentage of Skoda's capacity is used to make spare parts.

The company aims to increase annual production to 400,000 cars by 1993 or 1994, he said, but is unable to boost output without financial assistance. That is one reason it is looking for a partner.

About one-third of Skoda's production is exported, generating $100 million in annual earnings. The top recipients in the West of Skoda exports — which have significantly more options than the simple models sold in Czechoslovakia — are Britain, with annual ship-

See SKODA, Page 9

Taiwan Stock Prices Sink on Panic Selling

Compiled by Our Staff From Dispatches

TAIPEI — Taiwan's roller-coaster stock market, hit by plunging share prices in Tokyo and declining domestic liquidity, staged a record one-day fall Saturday.

The market's weighted index plunged 612.45 points, or 5.9 percent, to end at 9,828.22. The previous record one-day fall was 572.03 points, or 4.9 percent, on Feb. 26.

"Many investors have lost confidence, and the roller-coaster market is now on the downward swing," said Hsu Dao-yi, vice president of Core Pacific Securities Co.

Dealers said the collapse was caused partly by tight liquidity and a Finance Ministry report showing it had collected 73.1 billion Taiwan dollars ($2.8 billion) in the first quarter of the year from a recently imposed stock-transaction tax.

Analysts also attributed the plunge partially to the recent weakness of Tokyo stock prices.

"The Tokyo share prices have plunged sharply," said Dickson Ho, manager of W.I. Carr Taiwan. "There is no reason why the Taiwan stock market could not fall."

Separately, Taiwan's Securities and Exchange Commission said it had ordered the Pacific Securities Co. brokerage to close for six months for a default on settlements of more than 2.2 billion dollars.

(AFP, Reuters)

CURRENCY RATES

Cross Rates

April 6

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	1.91	3.1285	1.1259	0.335	0.1522 *	—	5.44 *	1.2737	1.2135 *
Brussels(a)	35.08	57.48	20.484	6.155	2.815 *	18.3765	—	23.407	0.223
Frankfurt	1.6964	2.778	—	0.2975	0.136 *	0.8883	4.833 *	1.1316	1.0775 *
London (b)	1.638	—	2.7748	9.3285	2,040.80	3.1333	57.485	2.4553	257.98
Milan	1,248.05	2,042.20	735.03	218.65	—	652.85	35.54	831.87	7.928
New York(c)	—	1.6425 b	1.6943	5.696	1,245.50	1.907	35.035	1.5085	157.70
Paris	5.789	9.329	3.3672	—	0.4573 *	2.9857	0.1625	3.802	3.6255 *
Tokyo	156.75	257.38	92.34	27.46	0.1257	82.07	4.4671	104.53	—
Zurich	1.497	2.4539	0.8825	0.2626	0.1201 *	0.7847	4.2731 *	—	0.9502 *
1 ECU	1.284	0.736	2.046	6.8765	1,503.86	2.3033	42.3149	1.8072	189.737
1 SDR	1.30	0.7935	2.2551	7.4111	1,422.44	2.4829	45.6826	1.9486	204.744

Closings in London and Zurich, fixings in other centers. New York closing rates.
a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	4580.2	Fin. markka	4.012	Mex. peso	2788.00	S. Afr. rand	2.64
Austral. $	1.3055	Greek drac.	163.20	N. Zealand $	1.7301	Soviet ruble*	0.6103
Austr. schil.	11.93	Hong Kong $	7.80	Norw. krone	6.568	Span. peseta	107.80
Brazil cruz.	41.80	Indian rupee	17.271	Phil. peso	22.36	Swed. krona	6.1285
Canadian $	1.1683	Indo. rupiah	1810.02	Port. escudo	149.30	Taiwan $	26.21
Chinese yuan*	4.72	Irish £	0.6339	Saudi riyal	3.74	Thai baht	25.93
Danish krone	6.4825	Israeli shek.	1.96	Sing. $	1.874	Turkish lira	2459.00
Egypt. pound	2.6232	Kuwaiti dinar	0.2944	S. Kor. won	705.60	UAE dirham	3.6675
		Malay. ring.	2.7313			Venez. boliv.	42.80

New York rates unless marked * (local rate.)

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.6319	1.6227	1.6146	Canadian dollar	1.1730	1.1778	1.1826
Japanese yen	157.03	156.87	156.75	Swiss franc	1.4957	1.4946	1.4932
Deutsche mark	1.6920	1.6916	1.6916				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	April 6	Mar 30	Ch'ge
DJ Indus.	2,717.12	2,707.21	+ 0.37 %
DJ Util.	213.66	214.66	— 0.47 %
DJ Trans.	1,174.08	1,183.14	— 0.77 %
S & P 100	320.89	320.03	+ 0.27 %
S & P 500	340.08	339.94	+ 0.04 %
S & P Ind	395.65	n.a.	— %
NYSE Co	186.78	186.85	— 0.04 %
Britain			
FTSE 100	2,221.10	2,247.90	— 1.19 %
FT 30	1,740.20	1,768.70	— 1.61 %
Japan			
Nikkei 225	29,278.00	29,980.00	— 2.34 %
West Germany			
DAX	1,947.84	1,968.55	— 1.05 %
Hong Kong			
Hang Seng	2,956.12	2,997.98	— 1.40 %
World			
MSCIP	478.50	489.50	— 2.25 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

United States	April 6	March 30
Discount rate	7.00	7.00
Federal funds rate	8.30	8.00
Prime rate	10.00	10.00
Japan		
Discount	5 1/4	5 1/4
Call money	7.00	6 13/16
3-month interbank	7 9/32	7 5/16
West Germany		
Lombard	8.00	8.00
Call money	7.95	7.30
3-month interbank	8 1/4	8 1/4
Britain		
Bank base rate	15.00	15.00
Call money	14 13/16	15 1/4
3-month interbank	15 3/16	15 1/4

Gold	April 6	March 30	Ch'ge
London p.m. fix.$	377.70	368.50	+ 2.50 %

Moscow Trade Deficit Is First Gap in 14 Years

Reuters

MOSCOW — The Soviet economy, its productivity collapsing in the face of ethnic and political unrest, chalked up a trade deficit of $5.4 billion in 1989, the first such deficit in 14 years.

The figures, published in the Communist Party's economic weekly, follow reports that labor strikes and ethnic unrest have cut into the country's productive muscle.

The figures for 1989, published in Ekonomika i Zhizn, show a trade deficit of 3.3 billion rubles ($5.4 billion), led by a sharp fall-off in energy exports and a jump in grain imports. In 1988, the Soviet trade surplus was 2.1 billion rubles.

Total imports for 1989 amounted to 72.1 billion rubles, up from 65 billion rubles in 1988. Exports totaled 68.8 billion roubles, up marginally from 67.1 billion in 1988.

Oil exports fell to 127.3 million metric tons from 144.2 million tons in 1988, a drop of 11.7 percent. Coal exports dropped to 37.5 million from 39.4 million tons, a loss of 4.8 percent. At the same time, grain imports swelled 5.7 percent, to 37 million tons from 35 million.

Ekonomika i Zhizn said the 1989 shortfall was the first in 14 years.

The government newspaper Izvestia, meanwhile, reported widespread social and ethnic unrest had continued to undermine the already anemic Soviet economy.

Total production for the first quarter of 1990 was off 1.2 percent from the year-earlier quarter.

The AMEX® Bank Review
AWARDS
IN MEMORY OF ROBERT MARJOLIN

INTERNATIONAL essay COMPETITION

American Express Bank Ltd. is pleased to announce The 1990 AMEX Bank Review Awards. This essay competition offers over US$55,000 for the best 5000-word essays on any subject in international economics of current relevance to financial markets, as judged by the Review's Editors and the Award Committee.

The essay competition, now in its fourth year, is held in memory of the distinguished French economist, Professor Robert Marjolin, the first Secretary General of the OECD, former Vice President of the European Commission, and former Adviser to the Review.

All entries must be written in English and be submitted *no later than June 30th 1990*. To receive an entry form and full terms and conditions of the Awards, all authors must write to the Editors, The AMEX Bank Review, American Express Bank Ltd, 60 Buckingham Palace Road, London SW1W 0RR, U.K.

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AMERICAN EXPRESS BANK

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, April 6.

	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
A							
A&W Bd			914	30½	29¾	30¼	+ ¼
ABS s	.32	4.1	488	8½	7¾	7¾	— ½
ACC Cp	.16	1.8	697	x9¾	8¾	9¼	+ ¼
ADC			2054	22½	21½	22½	+ ½
ADT			19204	31¼	30¼	30¾	— ½
AEL			20	5½	5	5½	+ ½
AEP s			220	14⅞	14¼	14½	— ½
AIRCOA			60	¾	¾	¾	
ALC h			533	1	¾	⅞	+ ⅛
ASK			1419	9¼	8¾	8¾	— ¼
AST			23496	19½	16½	19½	+2¾
AarnRt	.10	.9	27	12	11	11	— ¾
AbingB	.16	2.9	19	5½	5	5½	
AbeLinc			222	6½	5¼	5¾	— ¾
Acadin			1815	1	¾	⅞	
Accel	†		214	8¾	7¾	8	
Aclaim s			3531	10½	9¾	10	— ⅛
Acl wtB			1402	2¾	2½	2⅝	— ⅜
Acota	.14b	1.0	87	14¼	14	14	
ACMT			4	12	12	12	— ½
AcmeSt			400	17	15¾	17	+ ¾
ActARt	†		2724	6¼	5½	6	— ¼
ActnSy	.22b	4.7	414	5¼	4½	4⅝	— ⅝
ActAuSt			229	2¼	1¾	2	— ⅜
Acxiom			400	23	21⅞	23	+ ½
AdacLb	.16	12.8	75245	2	⅞	1¼	— ⅝
Adage			303	1⅝	1⅜	1⅜	— ⅛
Adapt			14610	22⅝	20½	21½	
AdIngt s			698	20	18¼	19½	
AdiaSv	.14	.6	170	22¾	22	22	— ½
AdobeS	.21e	.6	15900	40	34½	36½	—1½
Adtec			1069	2⅞	2⅝	2⅝	— ⅜
AdvCir s			910	8¾	7⅜	8¼	
AdvRos			69	11¾	10½	11¼	+ ½
AdvMag			179	15½	14½	14½	— ½
AdvMkSv			1331	6¼	5¾	5¾	— ¾
AdvPoly			957	4¾	4¼	4½	
AdvSem			257	8¼	7½	7½	— ¾
AdvTel			3217	14	12½	13½	— ½
Advantd	.13e	1.2	5009	12⅜	10⅝	11	+ ⅜
AdvoSy			2540	11½	11	11	— ⅜
Aeqtrn			231	2	1⅝	1⅞	+
Aegon	1.39e	2.3	465	61¾	57¾	61¼	+2¾
AerSys			77	¾	¾	¾	
Aerovx			4767	3¾	3¼	3½	
AflBcCp	.32	7.1	1680	4¾	4½	4½	— ½
AflBsh			360	10¾	10	10½	— ¼
AgncyR	†		10170	13⅛	11¾	13¼	+1¼
Agnico g	.20	2.4	1255	8¾	8¼	8½	
Agouron			268	8¾	8¼	8½	— ½
AirMd			1076	4⅞	4½	4¾	+ ¼
AirWisc	†		1914	11	10½	10¾	— ¼
AirInd			118	1	1	1	+
Airtran	.14	1.9	1264	8¼	6¾	8¼	+1½
Akorn	.07e	4.3	1151	1⅝	1⅜	1⅝	+ ⅛
Alco	1.46e	4.2	2793	34	33¾	33¾	— ⅛
AlamBc	.60a	2.4	52	25½	25	25	+ ½
Alaten	1.10	10.2	86	10¾	10	10¾	
Aldus			2878	20⅝	19½	20	+ ¼
AlexBr	.22	2.0	1305	11⅝	10⅝	11⅛	
AlexBld	.80	2.7	5928	31¼	29¾	29¾	—1
AlfaCp	.36	3.1	469	11¾	10	11½	+1½
Alico	.20	.7	79	31½	28½	28½	—3
AllAm s			350	1⅛	1	1⅛	+ ⅛
AllCity			42	5¼	5½	5⅝	
AlegW			3137	9⅝	9¼	9¾	+ ⅜
AlnOrg	.40a	1.1	86	36	36	36	+ ½
AllanPh			1303	10⅝	9¾	10¼	+ ½
Alliant			3905	7	5⅞	6½	+ ⅝
AlldBk	.30	4.3	29	7	7	7	—1
AlldCap	1.19e	6.7	41	18¼	17¾	17¾	— ½
AldCall	.16e	1.0	842	16½	15½	15¾	+ ¼
AlldGp	.48	3.6	125	13½	13	13⅝	
AlldRsh			12	2¼	2¼	2¼	
AlwyCpt			88	1⅝	1⅜	1⅜	— ⅛
AlistFn			249	8⅝	7⅞	8⅜	— ⅛
Allwst s			6953	9	8⅜	9	+
Aloette	.32	1.9	341	17	15¾	16¾	+ ⅜
Alpharl			320	⅝	½	½	— ⅛
AlpMic			211	3¾	3½	3¾	— ⅛
AltaGld	.06e	1.2	3847	5⅜	4⅞	4⅞	— ½
Altai			7	3½	3	3½	+ ¼
Altera			7087	10¼	9¼	10⅛	+ ½
Altus			754	1⅝	1	1⅛	+ ⅛
Altos			400	6⅝	6½	6½	+ ⅛
Altron			181	6	5½	6	+ ½
AmcorF	.50	3.3	512	15½	15	15⅛	— ⅜
Amrion	.40	3.3	63	12½	12	12¼	+ ¼
Amerbc	.17r	3.1	382	6	4¾	5½	— ½
AFFMt2	1.92e	23.3	314	8¼	7¾	8¼	
AFFF	1.50	8.5	359	18¼	17⅜	17⅝	— ½
AmFPr	1.30	11.1	134	12½	11¾	11¾	—1
AFTxE	1.00	10.8	560	9⅝	8⅞	9¼	+ ¼
AFTxE2	1.28	13.8	139	10	9¼	9¼	— ½

هكذا من الاصل

New International Bond Issues

Compiled by G. Jennifer Shapiro

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
Instituto de Credito Oficial	$250	1992	¼	99.88	—	Below 6-month Libid. Noncallable. Fees 0.17%. Denominations $10,000. (Credit Suisse First Boston.)
Sivensa Steel Investment	$ 40	1995	1⅛	84.38	—	Over 6-month Libor. Callable at 89.28 in 1991. Fees 2½%. Denominations $100,000. (Credit Suisse First Boston.)
Lavoro Bank Overseas Curacao	ECU 150	2000	1/32	100	—	Over 6-month Libor. Callable at par in 1992 and redeemable at par in 1995. Fees 0.30%. Denominations 10,000 Ecus. (Banca Nazionale Del Lavoro.)
Fixed-Coupons						
Alliance & Leicester Building Society	£ 100	1995	14¼	101⅜	99.70	Noncallable. Fees 1⅞%. (Baring Brothers & Co.)
Turkey	DM 250	1997	10	102	—	Noncallable. Fees 2¼%. (Commerzbank.)
Caisse Nationale des Télécommunications	FF 1,000.	2000	10	101⅞	99.50	Noncallable. Fees 2%. (Crédit Commercial de France.)
Crédit Lyonnais FCC 1990-1	FF 875	1993	10.20	99.46	—	Monthly. Average life 1.48 years. Fees not disclosed. (Crédit Lyonnais.)
World Bank	FF 1,000.	1997	10	101½	99.30	Noncallable. Fees 1⅝%. (Crédit Commercial de France.)
Nestlé Holdings	ITL 100,000	1993	13¼	101½	101.00	Noncallable. Fees 1⅜%. (Istituto Bancario San Paolo di Torino.)
European Economic Community	ECU 350	1995	10⅜	101.60	99.725	Noncallable. Fees 1⅝%. (Paribas.)
Federal Business Development Bank	C$ 35	1993	13⅛	101¾	99.75	Noncallable. Fees 1⅜%. (Banque Internationale Luxembourg.)
Finnish Export Credit	C$ 100	1993	13⅜	101.85	100.10	Noncallable. Fees 1⅜%. (Bankers Trust International.)
Industrialization Fund of Finland	FMK 100	1993	13¼	100⅜	—	Noncallable. Fees 1⅜%. (Nikko Securities.)
Crédit Lyonnais Australia	Aus$ 50	1992	15½	101.95	100.19	Noncallable. Fees 1¼%. (Hambros Bank.)
Eurofima	Aus$ 75	1994	14⅝	101.60	99.95	Noncallable. Fees 1⅜%. (Deutsche Bank Capital Markets.)
State Bank of South Australia	NZ$ 50	1992	14	101.95	100.82	Noncallable. Fees 1¼%. (Fay Richwhite.)
Svenska Handelsbanken	Y 5,000.	1993	7½	101⅜	—	Noncallable. Fees 1⅜%. (Mitsui Trust.)
Equity-Linked						
Cellular	$50	2000	open	100	—	Coupon indicated at 7¼%. Callable in 1993 at 103 declining by 1% per year to par. Each $1,000 note convertible into company's shares at an expected 18% to 20%. Fees 2½%. Terms to be set April 18. (Kidder Peabody Securities.)
First Pacific Company	$50	2000	7¼	100	—	Callable at par in 1996. Each $5,000 note convertible at 1.75 Hong Kong dollars per share and at 7.80 Hong Kong dollars per U.S. dollar. Fees 2½%. (J. Henry Schroder Wagg.)
ADT	£ 100	2005	open	100	—	Coupon indicated at 8%. Semiannual. Each 1,000 pound note is convertible into BAA shares with option to give cash equivalent. Fees 2½%. Terms to be set April 10. (Credit Suisse First Boston.)

Regulation Fears in U.S. Hit Banks

Reuters

NEW YORK — Earnings and stock prices of regional U.S. banks are under pressure, and analysts said more troubles are likely to follow.

On Friday, regional bank stocks fell sharply on concern about a more stringent regulatory review process by the Office of the Comptroller of the Currency, traders and analysts said.

"It's a sellers market right now," said Robert O'Toole Sr., manager of OTC trading at Shearson Lehman Hutton Holdings Inc.

CoreStates Financial Corp., First Financial Bancorp., First Merchants Corp. and Cincinnati Financial Corp. all fell in heavy trading.

Michael Plodwick, analyst with C.J. Lawrence/Morgan Grenfell, said the regional banks were tumbling on "concerns that the regulators are going to continue their tough stance regarding bank examinations."

Midlantic Corp. and PNC Corp. are the latest banks to announce poor first quarters, and analysts said more would follow.

As a result of regulatory exams, or in anticipation of them, Fleet-/Norstar Financial Group, Barnett Banks Inc., Hibernia Corp., Shawmut National Corp. and BayBanks Inc. have already said credit problems will hurt first-quarter profits.

Moody's Investors Service Inc. said Friday it had downgraded ratings of Bank of New England Corp. on long-term debt, subordinated debt and preferred stock.

Moody's said the recent announcement by Bank of New England indicating increased problem loans during the first quarter has raised greater uncertainty about the viability of the institution.

Upcoming Issues Pressure Bond Prices

Compiled by Our Staff From Dispatches

NEW YORK — U.S. Treasury bond prices advanced last week, but trading was volatile and a heavy schedule of government borrowings over the next month is likely to weigh on the market, analysts said.

The benchmark 30-year Treasury bond rose 1 1/32 points, to 99 21/32. The yield slid to 8.53 percent from 8.63 percent.

A rally on Friday fizzled, and the market failed to add to its gains despite a government report that showed weaker-than-expected employment growth in March.

Analysts said the employment figures, one of the more critical numbers where national monetary policy is concerned, reflected weakness in manufacturing but did not tip the balance on the health of the broader economy. Part of the re-

U.S. CREDIT MARKETS

port showed that hourly earnings were rising at a relatively high annual rate of 5 percent.

The Labor Department said nonfarm payrolls expanded by 26,000 jobs last month after far larger gains of 332,000 in January and 372,000 in February. Analysts had been looking for more substantial job creation. Economic weakness creates pressure for lower interest rates and thus helps bond prices.

In volatile trading on Friday, Treasury bond prices initially rose, but then investors sold debt to take profits from the earlier advances of the week. Bond prices had surged Wednesday in a flight-to-quality from a plunge in Tokyo stocks.

"They felt the news couldn't get much better, so they'd better sell," quipped David Wyss, an economist with DRI/McGraw Hill in Lexington, Massachusetts.

Dealers expect the new 40-year bonds to yield 8.85 percent, up from 8.60 percent at the last such sale on Jan. 23, when there was an offering of $5 billion in bonds.

With a heavy schedule of Treasury upcoming borrowings balancing out evidence of slowing economic growth and easing inflation pressures, analysts said they expected that 30-year bond yields would remain in a range of 8.5 percent to 8.7 percent. Returns have been in that range for about six weeks.

Between now and the middle of May, the Treasury is expected to sell more than $40 billion of new intermediate to long-term securities. Moreover, the size of the weekly auctions of three-month and six-month bills has been raised, to $13.4 billion from $13 billion.

The heavy debt load, prompted in large measure by the rising needs of Resolution Funding Corp. to finance the bailout of U.S. savings and loans, comes at a time of the year when heavy income tax payments usually pare the Treasury's needs for new cash.

"It will be another month before the market will want to behave well," said Robert A. Brusca, chief economist at Nikko Securities International.

"There are just too many securities that will be sold over that period to enable rates to soften. But then I think we will see further evidence of a weaker economy and that rates will come down."

The auctions begin on Tuesday, when the Treasury will sell the $3.5 billion worth of 40-year bonds for Refco, and continue on Wednesday, with the auction of $7.5 billion worth of new seven-year notes. In early May the Treasury is expected to sell some $30 billion of notes and bonds at its regular quarterly refunding auctions.

(NYT, UPI)

SKODA: *Western Suitors Court Eastern Carmaker*

(Continued from first finance page)

ments of 17,500 cars, then Denmark and West Germany.

The basic Favorit, which sells for about £5,000 ($8,190) in Britain, has been generally well-received by Western auto analysts.

"They're much better than the jokes suggest," said Philip Ayton, an auto-industry analyst at Barclays de Zoete Wedd in London.

Karl Ludvigsen, chairman of an auto-industry consulting firm in London that bears his name, said that Skoda and Zastava of Yugoslavia — producer of the Yugo car — are the two Eastern carmakers that are "fairly outward-looking and competitive."

The Czechs did seek some outside assistance on the Favorit. Bertoni of Italy helped style the car's body, and Porsche aided with the suspension and transmission systems.

Skoda plans a new model called the Forman, a small station wagon, to be on the market next year.

Mr. Ludvigsen said the problem with Skoda now is that it offers "a new car with an old engine." The Favorit's engine is lacking in efficiency, ease of production and performance, he said.

Although the car's 1.3-liter engine meets current emissions standards in the Western countries in which it is sold, "in the early 1990s, the standards will be tougher," he said.

Mr. Denhelka said Skoda has developed a new engine design, but did not have the money for production. That is the other important reason it is seeking a partner.

Despite Skoda's export success, analysts said it was the potential for massive sales in Eastern Europe that makes the company most alluring to Western automakers.

"Eastern Europe is under-motorized," said Mr. Ayton. "There is a demand there and, provided the economics work out, there will be a lot more of it."

Mr. Reitman said Czechoslovakia now averages 181 cars per 1,000 inhabitants. That rate is second only to East Germany in Eastern Europe. But the average in Western Europe is 350 cars per 1,000 persons, he said.

If sales in the Czech market could eventually be developed to the level found in the West, it would mean 2.7 million cars, the analyst said. "That's a substantial market opportunity," he noted.

However, analysts cautioned that a market explosion is not going to happen overnight.

There are a number of questions to be answered on economic policy in Czechoslovakia and Skoda's financial position, but that does not appear to be deterring foreign eagerness to get a foot in the door.

Mr. Danhelka noted that the government has long dictated Skoda's financial practice. He said, for example, that a car that costs 49,000 koruna (about $1,531 at the official rate) to produce sells for 85,000 koruna in Czechoslovakia, and virtually all the difference goes to state coffers. Only 730 koruna of profit per car goes directly back to Skoda, he said.

But there have been government subsidies for the carmaker, a fact that analysts say affects its pricing in the West.

"It's quite clear that the Skoda's sold in Britain are not being sold at cost," Mr. Ayton noted. "There's a subsidy somewhere along the line."

Under the new Czechoslovakian government, industry subsidies are due to be cut.

Wages are also expected to rise. The average Skoda worker now earns 3,100 koruna a month, about 100 koruna above the national average but far below Western standards.

Cheap labor is one obvious appeal of auto production in the East, analysts said, but they questioned how long it would remain truly inexpensive. If the wage differential with the West remains too great, Mr. Ayton pointed out, many Eastern European workers may emigrate.

Despite the uncertainties, the Western automakers appear to believe it is more dangerous to miss the opportunity to strike a deal with an established carmaker like Skoda.

"In these situations, people tend to shoot first and ask questions later," Mr. Reitman said.

INTERNATIONAL BusinessWeek

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JUNK: *Dark Side of High-Yield Bond Market Casts a Widening Shadow*

(Continued from first finance page)

holding company, will not even discuss his former ties to Mr. Milken these days. But for many years, he was one of Drexel's biggest junk-bond customers, to the regret of some of his current stock owners and policyholders.

As First Executive's investment portfolio has lost value, the stock has taken a drubbing and customers have surrendered policies in a torrent. In January and February, policyholders gave up $559 million worth of insurance. On April 2, First Executive disclosed a whopping $836 million loss for the fourth quarter.

Still, policy surrenders have been slowing, the company said, and some analysts contended that First Executive's $2.5 billion in cash and other short-term investments would pull it through.

Columbia Savings. Thomas Spiegel said there was nothing wrong with his thrift investing depositors' taxpayer-insured money in junk bonds, and for a while it seemed he might be right. Then the junk market began to fly apart, and since Columbia held more junk than any other S&L, it was hurt badly.

Columbia announced April 1 that it has lost $575 million in the past five months, leaving it insolvent. Much of the losses come from the thrift's $3 billion junk portfolio, which it has been trying to unload.

Ingersoll Publications Co. Ralph Ingersoll 2d sometimes derided the talents of competitors as he turned his father's slow-moving newspaper management company into an international chain of 40 dailies and 200 weeklies. But when an industry recession set in, it began to look like this friend of Mr. Milken had paid too much for the papers, particularly when he had to meet the interest payments on $500 million in high-yield bonds.

This year, Mr. Ingersoll has sold 10 daily newspapers, and he is trying to avoid defaulting on some of his companies' more than $600 million in long-term debt. He has insisted the setback is minor, pointing out that most of the papers have risen in value.

Integrated Resources Inc. Once a purveyor of tax-sheltered real estate investments, Integrated Resources tried to use investment profits generated by junk bonds to move become a diversified investment company.

But Integrated's finances were always a delicate balancing act, and, when beleaguered Drexel could not help it through a cash squeeze last June, Integrated Resources defaulted on $1 billion in bonds. The default, a key factor in the junk market's slide, began an unraveling that ended last February, when Integrated filed for bankruptcy protection the same day as Drexel.

Campeau Corp. Everybody but Robert Campeau and his investment banker seemed to think the Canadian entrepreneur was overbidding for the huge Allied Stores and Federated Department Stores retail chains. The general view was vindicated when Mr. Campeau took his 260 U.S. stores to bankruptcy court in January.

The former building contractor paid $3.6 billion to buy Allied in 1986 and $6.6 billion to buy Federated in 1988, both in junk-backed deals that are often held out as prime examples of leverage abuse.

West Point Acquisition Corp. William Farley used to be cited as an example of how far you can go on other peoples' money, but recently he has been held out as proof that you can't go on forever. The former encyclopedia salesman last year signed on to buy West Point Pepperell, the largest sheet and towel maker, for $3 billion. He pulled together 95 percent of the price, but has floundered trying to come up with the remaining $80 million.

Drexel, which promised to float $1.6 billion in junk for the purchase, is gone. Mr. Farley sold West Point's Cluett, Peabody apparel company to raise money, but it fetched only $410 million, compared with the $800 million that was originally expected. On April 2, Mr. Farley's company defaulted on $1.5 billion of bank debt and junk bonds, and now bankruptcy is a possibility.

Imperial Savings & Loan Association. Another big customer of Mr. Milken's junk-bond department, Imperial Savings showed there are many ways for a thrift to lose its shirt. Imperial became one of the biggest in California by helping finance a housing boom in San Diego County, but in the tough times of the early 1980s it began to take advantage of California's liberal regulations on S&L investment.

It plowed money into junk but also invested millions in a risky consumer loan portfolio and in an importer of Yugo cars. Both of those investments flopped, and after taking a big writedown on its junk portfolio, Imperial was seized by regulators Feb. 26.

Southland Corp. The Thompson family, a pillar of the Dallas Establishment, three years ago used junk bonds to take its company private and avoid a takeover by an unfriendly foreigner, Samuel Belzberg of Canada. Now the Thompsons may sell a controlling interest to the Japanese — if they are lucky.

The company, which owns the 7-Eleven convenience store chain in North America, paid stockholders $4.9 billion in the leveraged buyout. The deal stretched Southland's leverage and did not foresee that competition among convenience stores could sharpen.

Southland wants to sell a 75 percent stake to its Japanese licensees, but it lost $1 billion in the recent quarter and may face bankruptcy if it cannot talk its bondholders into swapping their bonds for new debt and stock with much lower face value.

Western Union Corp. The company that pioneered worldwide communications says the competition from fax machines has forced it to the brink of bankruptcy, but its junk-financing arrangements have played a role as well.

The investor Bennett S. LeBow led a group that bought the tottering company for a mere $25 million in equity in 1987. But when Mr. LeBow issued $500 million in junk to refinance Western Union's debts, he included reset notes that last summer lifted the interest rates to 19.25 percent. Flattened under the weight of its interest payments, Western Union says it may file for bankruptcy protection unless it can restructure its debts.

Resorts International Inc. Some thought Merv Griffin had outsmarted Donald J. Trump when he purchased the casino company from Mr. Trump in 1988, but carrying the debt load was a lot tougher than handling restive talk-show guests.

Resorts, which owns casino hotels and real estate in Atlantic City, New Jersey, and the Bahamas, was carrying $900 million in debt when Mr. Griffin bought it by layering on another $325 million in junk financing. Within a year, Mr. Griffin had filed for bankruptcy court protection. Now, Resorts's Atlantic City operation faces new competition from Mr. Trump's Taj Mahal casino.

WALL STREET REVIEW

Figures as of close of trading Friday, April 6.

NYSE Most Actives

	Vol.	High	Low	Last	Chng.
PhilMr s	97955	41½	39	41¼	+1⅝
Baxter	95400	25⅝	22⅛	22¼	—2
Tandem	84597	28⅛	22½	22⅝	—5¼
Amax	81268	28⅝	26¾	27¾	
FdNM s	65579	36	32	32	—2⅝
IBM	56856	107¾	105	105⅞	— ¼
Citicorp	56741	23⅝	22⅝	22⅞	— ⅛
GenEl	52763	65¼	63⅝	64⅝	+ ⅛
ArchD s	52146	24¾	22⅛	23⅞	+1⅛
Pfizer	49928	59⅝	56½	57½	—3⅛
PhilaEl	49924	18	16½	16⅝	—1¼
AT&T	49712	42¼	41⅛	41⅝	— ⅜
Unocal s	49421	33¾	30⅝	31	— ⅜
BrMySq	48211	55	52	54⅝	+1¾
Avon	47648	36⅛	33⅝	36	+1¾
AGnCo	47153	38⅞	35⅝	37½	—1⅛
AmExp	46921	26⅜	25½	26⅝	+1⅛
EKodak	46455	40⅞	38½	39⅞	+ ¾
GnMotr	45877	46½	44⅞	46⅛	+ ¼
FltNors	45847	21⅞	19⅝	19⅝	—2¼
Waste s	43379	35⅝	33½	35⅛	+1
Upjohn	43074	39¼	37¾	38⅝	— ¼
UCarb	42834	22½	21⅛	21⅜	— ⅜
BnkAm	42157	28⅛	25¼	25½	—2⅝
Exxon	41754	47¼	45¾	46⅛	

AMEX Most Actives

	Vol.	High	Low	Last	Chng.
SNk 93cwt	79848	4⅝	3	4¼	
SNk I93wt	51456	12½	10	10⅝	+ ⅛
Hilhov n	42453	1⅛	⅝	1⅛	
Dk Nk wt	38409	13½	10⅜	11⅜	+ ⅜
SNk I93wt	37141	13¼	10⅞	11¼	+ ⅜
ENSCO	35405	5¼	4⅝	5¼	+ ¾
BT Nk wt	23878	29¼	24⅛	24⅝	
FruitL	21669	14¼	12⅞	14⅛	+1
SFT 93pwt	19226	5	4½	4⅞	+ ½
TexAir	18358	7⅜	6¾	6⅞	— ⅝
EchoBy	15672	16⅝	15¾	16⅜	+ ¼
Amdhl	13260	15½	14¼	14¾	+ ⅛
NewLine	13077	12⅛	10¾	11⅝	+ ¾
WDigitl	11563	12⅛	10¾	11⅞	+ ⅝
DowC rt	8204	10⅛	9⅝	10¼	+ ⅛
IntTlch	7471	3½	2¾	2⅝	+ ⅛
PfdHlth	7375	8	7¼	8	+ ⅜
Diasonc	6649	3⅛	2¾	2⅞	— ⅛
MagmC	6240	5¾	5¼	5¼	— ⅝
DWG	6140	12⅝	10⅝	10¾	— ⅜
CornCr	5795	21	19⅝	19¾	—1½
HomeSh	5791	7⅝	6¾	7¼	+ ⅛
WangB	5750	5¾	5½	5½	— ¼
BAT In	5663	13	12⅝	12⅞	
Coron g	5577	8¼	7⅜	8¼	+ ¼

NYSE Sales

	Sales Vol.
Total for week	719,870,000
Week ago	661,550,000
Year ago	794,700,800
Two years ago	854,430,000
Jan 1 to date	10,759,305,000
1989 to date	11,046,750,000
1988 to date	12,095,340,000

AMEX Sales

	Sales Vol.
Total for week	80,640,000
Week ago	69,010,000
Year ago	52,450,000
Jan 1 to date	997,820,000
1989 to date	752,480,000
AMERICAN BONDS =	
Total for week	12,190,000
Year ago	14,460,000

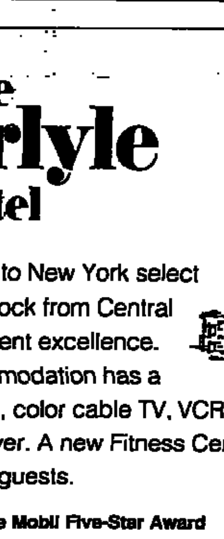
NYSE Diaries

	This Wk	Last Wk
Advanced	842	1025
Declined	1039	821
Unchanged	292	324
Total Issues	2173	2170
New Highs	71	69
New Lows	168	126

AMEX Diaries

	This Wk	Last Wk
Advanced	342	418
Declined	450	375
Unchanged	196	189
Total Issues	988	982
New Highs	49	40
New Lows	60	50

The Carlyle Hotel



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G-7: *Allies Appear Unmoved by Japan's Pleas for Help*

(Continued from page 1)

issues. In addition, last week's trade agreement is seen by the United States as only the first step in a long process to removing Japan's structural impediments to trade.

In what appeared to be a response to expectations that the United States might reduce its interest rates to help bolster the yen, the Group of Seven communiqué backed the position of the U.S. Federal Reserve by saying that "current inflation rates require continued vigilance."

The arguments against heavy intervention to support the yen now are multifaceted. The Japanese currency's weakness is widely viewed as stemming from domestic policy errors, which coordinated intervention cannot correct.

"There has been a general feeling among the G-7 that the Japanese have not come anywhere close to taking the domestic monetary steps that would support a concerted intervention effort," a monetary official said.

It is also feared that joint efforts to stabilize the currency could forge a tighter link between the so-far isolated fall in the Japanese stock market, and equity markets elsewhere.

The apparent willingness of Japan's trading partners to tolerate considerable volatility in both the yen's exchange rate and the asset values of Japanese stocks also reflects a fundamental reassessment of what drives the commercial success of Japanese industry.

Until recently, it was assumed that the extra something was an undervalued yen. Now it is believed that the secret ingredient is Japan's access to capital at a cost that no North American or European company can match.

The low cost of capital means that Japanese companies can expand and invest in new technology and equipment at less risk, since the return needed to finance the move is so much lower than the profits U.S. or European companies would need to earn.

The fountainhead of this cheap capital — in addition to lower real interest rates than those available in any other country — has been the astronomic value of Japanese stocks, which have been trading at more than 50 times projected earnings. That compares with price-earning ratios in the teens for U.S. and European companies.

A weak yen forcing up Japanese interest rates, and higher interest rates causing stock prices to decline are the mechanisms by which a more uniform cost of capital can be established.

The strategy is controversial because not all the Europeans are willing to cast aside the significance of the exchange rate. A weak yen means lower costs for foreigners buying Japanese-made goods. It is also a high-risk strategy, in that it assumes Tokyo stock prices will decline — as they have so far this year — without creating reverberations in other major stock markets.

But the weathering of such crises as the 1987 and 1989 global stock dives and the collapse this year of Drexel Burnham Lambert Inc. on Wall Street have fostered a view among U.S. officials that the shock absorbers of the world financial system are quite resistant to what once would have been considered earth-shaking events.

The Europeans are not as relaxed as the Americans about the implications of allowing the yen to remain weak. The Europeans argue that it is only matter of time, perhaps within 18 months, before they and the United States will be running crippling trade deficits with Japan and losing business to them unless the yen is made more expensive.

But the Americans dispute this, arguing that the exchange rate is far from being the dominant factor in determining trade flows. As evidence, the Americans note that their trade deficit with Japan was not wiped out when the dollar was at an all-time low of around 121 yen in early 1988.

In addition, the Americans believe that the huge investments Japanese industry has made in new plants in the United States and Europe fundamentally alter the significance of the yen's exchange rate to Japan's export strength.

Another reason for the detached view on trade deficits is that any possible deterioration is easily two or more years away, according to economic models.

Mr. de Vries said current forecasts put the U.S. deficit in February, due to be reported April 18, at only $6 billion. That would be the lowest monthly total in more than six years and one-third less than January's $9.3 billion.

The Group of Seven also discussed plans to establish a European Bank for Reconstruction and Development in Eastern Europe. Negotiations at a more junior level to work out details will continue in Paris early this week, and a ministerial meeting establishing the bank is expected to take place here on May 11.

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AND IN ALL MAJOR CITIES OF THE WORLD

WORLD STOCKS IN REVIEW

By Agence France-Presse

Amsterdam

Merger and acquisition news kept the Amsterdam stock market on its toes during the past week.

Although the prices of possible takeover candidates rose, the CBS all-share index ended Friday at 197.2, slightly down from 197.8 the previous Friday.

Total volume reached 7.3 billion guilders, 3.5 billion of which was in equities. A week earlier, volume was 7.6 billion guilders, with 2.8 billion in stocks.

The Kempen & Co. brokerage said it expected mixed share market in the near term, with transportation and trading shares outperforming the broader market.

Frankfurt

Several times last week the DAX index flirted with its record high, set at the end of March, but the index finished the week lower.

The DAX finished the week at 1,947.84, down 20.71 points from the previous Friday. The Commerzbank indicator was off only 7.40 points, to 2,402.90.

Volume on the eight West German exchanges totaled 50.70 billion Deutsche marks, down from 59.85 billion the previous week.

Foreign investors were much in evidence. Analysts said they expected an upward trend in the coming weeks.

Several announcements of higher dividends — by Deutsche Bank, Volkswagen, Dresdner Bank and others — strengthened analysts' feeling that West German business is basically in good shape.

Hong Kong

Share prices dropped during the week in lackluster trading, with the Hang Seng Index finishing Friday at 2,956.12, down 41.86 points from the previous week's close.

Average daily volume slipped to 1.16 billion Hong Kong dollars from previous week's 1.6 billion dollars.

The Hang Seng failed to regain the psychologically important level of 3,000 after galloping past that level on March 26 for the first time since the Chinese crackdown on demonstrators in June. The index seesawed between 2,962.88 and 2,934.70. Most early gains were lost in profit-taking.

London

Despite apparent indifference to gyrations in Tokyo, share prices fell after riots in London and opinion polls that showing growing dissatisfaction with the Conservative government.

Trading was subdued ahead of the Group of Seven meeting in Paris over the weekend, and in the absence of any economic indicators to give the market a lead.

The Financial Times 100-share index ended down 26.5 points on the week, at 2,221.1, despite a number of attempted rallies on the back of the pound's firmer trend.

Milan

The market had a positive week, with the MIB index rising 1.10 percent, to 1,007.

Average daily volume rose to nearly 58 million shares, worth an average 185 billion lire, up from the previous week's 40 million shares, worth 140 billion lire.

Among leading issues, the De Benedetti group made good progress, with CIR up 3.30 percent on the week and Olivetti up 2.65 percent. STET jumped by 6.96 percent, Pirelli 4.54, and Mediobanca 3.06 percent.

Paris

The Bourse put on a powerful performance, boosted by a trend to lower French interest rates and the solid French economy.

The CAC-40 index finished the week at a record 2,069.89, up about 4.75 percent on the week. The gain would have been bigger except for a 1.25 percent drop on Monday in the wake of the Tokyo market's plunge that day.

In two weeks, prices on the Bourse have risen by about 8 percent in heavy volume.

Analysts said foreign investors had been responsible for much of the enthusiasm noted on the Bourse, since they have become disenchanted with some other exchanges and have been impressed by the French economy's performance. The economy is expected to grow this year by 3.2 percent in real terms, following 3.7 percent last year, while inflation is forecast as moderate and the trade deficit is seen declining.

Such good prospects, strengthening the franc within the European Monetary System, enabled the Bank of France to drop its guideline interest rates by a quarter-point on Monday, and banks immediately cut their prime rates.

Singapore

Prices fell sharply and across the board as the bourse was affected by the volatile Tokyo stock market throughout the week.

The Straits Times industrial index, which surpassed the 1,600 mark to hit an all-time high the previous week, lost a hefty 72.67 points, to end the week at 1,508.41.

Tokyo

The Nikkei stock average fell 701.67 points, or 2.3 percent, from the previous week to close at 29,278.78.

The Tokyo Stock Price Index of all stocks listed on the market's first section, which gained 20.40 points the previous week, shed 78.22 points to end at 2,149.26.

Average daily volume was 643.3 million shares, against the previous week's 662.7 million.

The market was battered on Monday, the first trading day of the new fiscal year, as the yen continued to plummet against the dollar. The Nikkei fell 1,978.38 yen, more than 6 percent.

Trading was extremely volatile Tuesday through Thursday. On Tuesday, the market opened 422 yen higher, but profit-taking pushed prices down to end the morning session 77 yen lower. However, in the afternoon, bargain hunting dominated the market and the Nikkei ended the day 757.65 yen higher.

Zurich

Stocks staged what operators called a "timid rise" last week, in the face of contradictory signals.

The Swiss Performance Index finished at 1,086.4 points, up from 1,079.6 the previous Friday. The Crédit Suisse index ended at 598.6 against 591.0, and the Swiss Bank Corp. indicator at 628.7 against 626.1.

CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, April 6.

Option & price	Calls	Puts
[illegible]	[illegible]	[illegible]

Total Volume: 373,025
Open interest: 4,843,417
r—Not traded. s—None offered. o—Old.

Euromarts At a Glance

Eurobond Yields

	April 6	Mar. 30
U.S. $, 8 yrs & over	9.51	9.42
U.S. $, 5 to 7 yrs	9.45	9.34
U.S. $, less than 5 yrs	9.23	9.22
Pounds sterling, less than 5 yrs	14.60	14.74
French francs, less than 5 yrs	10.86	11.09
Hol. flrs, less than 5 yrs	12.75	12.75
Danish kroner, less than 5 yrs	10.98	11.30
ECU, 8 yrs & over	10.65	10.68
ECU, 5 to 7 yrs	10.99	11.02
Can. $, less than 5 yrs	13.14	12.82
Aus. $, less than 5 yrs	15.63	15.38
N.Z. $, less than 5 yrs	13.45	13.37
Yen, 5 to 7 yrs	7.19	7.02
Yen, less than 5 yrs	7.43	7.01

Source: Luxembourg Stock Exchange.

Weekly Sales

April 6

Primary Market

	Cedel $	Cedel Nons	Euroclear $	Euroclear Nons
Straights	409.70	885.40	2,018.30	495.90
Convert.	42.80	0.50	29.20	—
FRNs	1.00	—	49.00	—
ECP	5,463.90	883.80	7,800.30	1,168.40
Total	6,917.40	1,769.70	9,888.80	1,664.30

Secondary Market

	Cedel $	Cedel Nons	Euroclear $	Euroclear Nons
Straights	7,482.70	11,328.40	17,011.80	10,772.80
Convert.	155.20	325.50	767.10	340.10
FRNs	1,945.00	1,533.60	6,223.50	3,456.40
ECP	3,327.10	3,176.90	2,204.80	2,400.80
Total	13,110.00	16,364.40	26,207.20	18,169.30

Source: Euroclear, Cedel.

Libor Rates

April 6

	1-month	3-month	6-month
U.S. $	8⅝	8 7/16	8⅝
Deutsche mark	8	8¼	8 9/16
Pound sterling	15	15 3/16	15⅜
French franc	10	10 1/16	10⅛
ECU	10¼	9	9¼
Yen	7¼	7 7/16	7 9/16

Source: Morgan Guaranty, Lloyds Bank, Reuters.

U.S. Treasury Bonds

April 6

Maturity	Close Bid	Ask	Yield	Wk.-ago yield
31.03.92	99 31/32	100	8.52	8.64
15.02.93	99 15/32	99 17/32	8.58	8.67
31.03.93	99 24/32	99 26/32	8.58	8.67
15.05.95	99 23/32	99 25/32	8.55	8.65
15.01.97	96 28/32	96 30/32	8.62	8.70
15.02.00	99 20/32	99 22/32	8.55	8.64
15.02.06	106 2/32	106 4/32	8.66	8.75
15.02.20	99 20/32	99 22/32	8.53	8.63

Source: Solomon Inc.

U.S. Consumer Rates

April 6

Tax Exempt Bonds	
Bond Buyer 20-Bond Index	7.51 %
Money Market Funds	
Donoghue's 7-Day Average	7.67 %
Bank Money Market Accounts	
Bank Rate Monitor Index	6.08 %
Home Mortgage, FHLB average	10.26 %

Source: New York Times.

Brazilian Stocks Stage a Partial Price Recovery

Reuters

SAO PAULO — The São Paulo Stock Exchange, which slumped sharply the first two weeks after President Fernando Collor de Mello took office, recovered 43.4 percent over the past week.

The key Bovespa index closed Friday at 10,435 points, up 43.4 percent from the week earlier. The index had a one-day record rise of 23.5 percent on Tuesday.

The index rose substantially every day last week except Friday, when it slumped 7.8 percent. The break in the recovery Friday, market players said, was due to the approval by Congress late Thursday of a 25 percent tax on gains on stock transactions.

Brokers pointed out that the Bovespa index was still 44.1 percent below the closing of 18,653 points registered on March 13, the last day of trading before a three-day bank holiday decreed in advance of Mr. Collor taking office.

BUSINESS BRIEFS

ANZ Does Not Want 100% of Insurer

CANBERRA (AFP) — Australia & New Zealand Banking Group Ltd. has no plans to seek 100 percent control of the National Mutual Life Association of Australasia Ltd. in the next decade, the ANZ chief executive, Will Bailey, said Sunday.

ANZ announced last week that it would spend 3.4 billion Australian dollars ($2.6 million) for 51 percent of National Mutual.

The other 49 percent of National Mutual would continue to be owned by policyholders, Mr. Bailey said in a television interview.

Kuwait Allows Foreign Investment

KUWAIT (AP) - Kuwait's cabinet approved legislation on Sunday that for the first time enables foreign residents to invest in Kuwaiti companies through investment funds, according to the minister of state for cabinet affairs, Rashid Abdul-Aziz al-Rashid.

Mr. Rashid said that non-Kuwaitis, subject to certain rules, will be allowed to invest their money in "financial and real estate funds," which will be traded on the local stock market.

Romania, Daimler Plan Bus Project

BUCHAREST (Reuters) — Romania plans a plant to build buses in cooperation with Daimler-Benz AG of West Germany, Prime Minister Petre Roman said on Sunday.

"Some forms of cooperation are planned, first of all some production lines for products such as buses in Romania and later on for the foundation of some commercial companies," he said..

S&L Rescue Could Cost $500 Billion

WASHINGTON (WP) — Congress issued an estimate last week that U.S. taxpayers would have to pay at least $68 billion more than the government had earlier estimated to clean up the savings and loan scandal.

The General Accounting Office calculated that the price tag will be a minimum of $325 billion, including interest over the next 33 years, the office's chief, Charles A. Bowsher, told the Senate Banking Committee on Friday. It could be as high as $500 billion.

He said said the cost of bailing out the thrift industry has now grown greater than all the other government bailouts combined — bigger than the rescues of New York City, Chrysler Corp. and Lockheed Corp., bigger (after accounting for inflation) than the Marshall Plan to rebuild Europe following World War II, bigger even than the annual budget of the Pentagon ($305 billion this year).

U.S. Bars Baby Bell From Contracts

NEW YORK (NYT) — The U.S. Treasury Department has temporarily barred Bell Atlantic Corp., the regional telephone company, from doing business with the federal government, accusing one of the company's subsidiaries of including "misleading information" in a bid for a $100 million contract.

The government contracts for overhauling its communications system have been the source of bitter struggles between American Telephone & Telegraph Co. and the regional telephone companies, which were AT&T subsidiaries until 1984.

The Treasury's ban against Bell Atlantic, which is based in Philadelphia, and the accused subsidiary, Chesapeake & Potomac Telephone Co., which is based in Washington, is one of the most severe actions ever taken against a telephone company.

Bechtel Consulted on Soviet Project

SAN FRANCISCO (Reuters) — The Soviet Union has asked the San Francisco-based Bechtel Group, one of the world's largest engineering and construction companies, to study the possibility of turning the research community of Troitsk into a high-technology center.

Following the feasibility study at Troitsk, 20 miles (32 kilometers) southwest of Moscow, the Soviet government plans to spend $100 million each year to develop a network of such centers, the company said Friday.

Part of the Kurchatov Institute of Atomic Energy, home of some of the most advanced scientific work in the Soviet Union, is located in Troitsk. Current plans include installing advanced telecommunications facilities, updating the area's airport, and building a conference center and an international hotel.

For the Record

Axa-Midi Assurances is likely to get the first of nine required U.S. state rulings on its proposed acquisition of Farmers Group Inc. on Monday, a spokesman for the California Department of Insurance said. Axa-Midi is to buy Farmers from a group seeking to acquire its parent, BAT Industries PLC. *(Reuters)*

A federal jury has awarded about $100 million to Windmere Corp. in an antitrust suit charging that the Dutch company Philips NV had monopolized the rotary shaver market. *(AP)*

In a victory for Genentech Inc., a jury in U.S. District Court in Delaware ruled Friday that the company's patents for tissue plasminogen activator, or TPA, were valid. TPA belongs to a class of drugs used to break up blood clots in heart attack victims. *(NYT)*

AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, April 6.

Option & price	Calls	Puts
[illegible]	[illegible]	[illegible]

Total Volume: 128,126
Open interest 2,781,038
r—Not traded. s—None offered. o—Old.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, April 6.

(Continued)

	Sales in 100s	High	Low	Close	Net Ch'ge
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A Monthly Report for the International Investor

Herald Tribune

Monday, April 9, 1990

Personal Investing/Funds 1990

UPDATE

Warrant Funds: A Deep Spiral

GIVEN the dire news out of Tokyo, it is hardly surprising to find Japanese warrant funds at the bottom of the heap when it comes to first-quarter performance. Usually issued in connection with the Eurobonds of Japanese companies, warrants give the right to buy a company's stock at a specific price in three, four or five years' time. When the stock price is rising, warrants will tend to move up several times faster. Conversely, falling stock prices cause the corresponding warrants to tumble even harder.

How much harder is evident from the fourth-quarter figures supplied by Lipper Analytical Services. The 69 conventional Japanese equity funds were off about 19 percent in the first quarter in dollar terms, while three Japanese warrant funds in the survey tumbled an average 33 percent.

Few Japan specialists believe that a sustained rebound is likely in the short term. Several equity warrant funds have been pruned back from their initial targets and a $100 million fund from Nomura Securities International, launched on March 15, was withdrawn just a week later.

"Only a very brave investor would buy equity warrants in a falling market," says Anthea Lancaster, marketing manager of Wardley Investment Services International.

Some new Japanese warrant funds averted serious damage by virtue of being largely in cash. Such was the case at the Schroder Japanese Warrant Fund, whose launch in early March raised about $75 million. The fund's net asset value at the end of March was only marginally below its opening $9.55, according to the manager, Pete Irving. "We stayed fairly liquid since we saw the Tokyo market as vulnerable at the start," he noted.

Far from being soured by the Japanese experience, fund managers are looking to expand into other markets. In Asia, Hong Kong is the next largest market after Japan, with a warrant capitalization of just over $5 billion, according to research by Wardley and James Capel, the international brokerage.

Next comes Singapore at around $2.5 billion.

The enthusiasm for European integration has focused much attention on Continental markets. Germany holds the most attractions for the warrant enthusiast, both in terms of market quality and performance potential, say professionals. German warrants are seen as being attractively priced and as comprising a wide range of issues.

Play on Pesetas

TWO funds created in early March by Madrid-based Safei-Samedi offer investors the first pure plays on what many international analysts believe is one of the most attractive bond markets. Spanish bonds are yielding over 14 percent, and the peseta looks likely to remain strong.

Particularly appealing is the large 8-percentage-point margin by which bond yields exceed Spanish inflation. To analysts, that means there is plenty of scope for interest rate cuts in the months ahead, which would boost Spanish bond prices. Looking at inflation-adjusted yields "is one of the best ways to determine the attractiveness of a bond market," says Karim Basta, an analyst at Merrill Lynch.

But foreigners who delve into these funds will find pluses and minuses in the tax picture. On the plus side, foreign buyers do not have to face the steep commission on bond dealings and will not incur Spain's 25-percent withholding on capital gains and interest payments as long as their money remains in the fund.

A clear negative is that foreigners will face taxation when they sell the fund shares. Under some tax treaty arrangements, foreigners may be able to recoup half the amount assessed, but the process is complicated and takes as long as a year and a half. The government is considering ending the withholding tax or, at least, streamlining the process for reimbursing foreigners.

Looking East

SEVERAL investment trusts and other closed-end funds have been launched with the avowed aim of cashing in on the changes in Eastern Europe. Now Gartmore has launched an open-end offshore fund that will focus on listed Western companies that actively trade with countries in Eastern Europe.

"It will also buy into Eastern European stock markets as they open to foreign investment," says Gartmore spokesman David Piper. Gartmore advises that the Eastern Europe Fund should be viewed as a long-term investment — over five years — and should only represent a small portion, say 5 percent, of a global investor's portfolio.

"This is not a broad international fund," cautions Mr. Piper. "It is highly focused on companies with close ties to the East that might, for example, be active in joint ventures there." Initial charges are 5.25 percent, and the annual management fee is 1 percent.

New Markets

HENDERSON Administration has jumped on the emerging-markets bandwagon by expanding its Luxembourg-based Horizon umbrella fund to include a portfolio specializing in developing exchanges, especially those in the Far East. The new fund, called the Investment Companies Portfolio, is the 11th in the Horizon series.

Because the popularity of many closed-end emerging market funds has already pushed them to steep premiums over their net asset values, the new Horizon fund will initially invest only about 10 percent of its portfolio in these instruments, says Henderson spokeswoman Fiona Rogers. Another 40 percent will go into general funds and between 20 and 30 percent into funds with a geographical focus, such as Asian regional portfolios. The remainder will be invested in special situations such as real estate or venture capital vehicles.

"Investment managers will have total flexibility to vary these ratios if appropriate," says Ms. Rogers. Horizon funds carry a 4.5-percent initial fee, and a 0.625 percent annual charges. □

Reported by Nigel Adam in London and David C. Lanchner in Paris.

European Funds Held Firm Amid Tokyo's Fall

Specialized funds were the leaders in a quarter of turmoil in major markets.

By David C. Lanchner

Paris

OFFSHORE FUNDS took a beating in the first quarter as world markets were buffeted by higher interest rates and the fallout from the Tokyo stock market collapse. The 674 equity funds tracked by Lipper Analytical Services registered an average decline of 4.4 percent in dollar terms in the three months ended March 31, while the 353 bond funds monitored lost 2.89 percent of their value.

Among the worst casualties were the 69 equity funds specializing in Japan. The portfolios tumbled 19.1 percent during the quarter. Only funds investing in New Zealand tallied a worse average return, falling 19.3 percent.

Currency moves did little to help portfolios concentrating on non-U.S. markets. In Japan, a 10-percent drop in the value of the yen further damaged the performance of funds targeting the Tokyo market. Other foreign currencies largely held firm but failed to advance against U.S. currency, leaving investors in dollar-denominated funds without protection from slides in overseas stock exchanges.

Laurels for the quarter go to the 11 equity funds investing in Germany. Enthusiasm over German reunification and the opening up of Eastern Europe pushed these portfolios up an average of 9.1 percent in the quarter. Overall, however, European funds turned in an anemic 2.05 percent increase, reflecting spill-over from the Japanese market collapse and the damaging effect on London and continental bourses of higher global interest rates.

Portfolios specializing in U.S. equities did even worse, registering a negative 1.2 percent return for the quarter. One sector proved exceptionally profitable for some funds, however. Citifunds' U.S. Emerging Technology Fund returned 20.75 percent in the first three months of the year, while another portfolio, GT Technology Fund, appreciated 15.3 percent.

Intense competition among technology companies in the second half of the 1980s held down stock prices but also weeded out many of the weaker firms. "This set the stage for the current rally," explains George Shott, manager of the GT Technology Fund. "Now we're seeing a sector where surviving companies have strong earnings and where investors are recognizing low stock prices as a bargain."

Mr. Shott is particularly keen on companies that make computer programs for the growing personal computer market. One of his favorite stocks is Microsoft, which produces MS DOS, the basic language used by almost all personal computers.

Like the technology portfolios, other funds placing in the Top 10 this quarter also fall into a category investment professionals would label "special situations."

The biggest winners, for example, were a pair of futures funds, Tudor B.V.I. Futures L.T.D. and Gaia Hedge II. The two funds racked up respective returns of 44.8 percent and 40.9 percent for the quarter, largely by betting against the Japanese currency. Gaia Hedge II specializes in currency futures and options while the Tudor fund, overseen by noted money manager Paul Tudor Jones, invests in a broad cross-section of futures. The fund plays everything from moves in currency, precious metals and interest rates to changing prices for heating oil and agricultural products.

Equity funds, which benefited from targeting insulated Asian markets where local conditions drove prices higher round out the Top 10 performers for the quarter. Hong Kong-based CEF investment management placed three funds in the Top 10. Duncan Mount, CEF's managing director, says the funds tend to make big bets in some of Asia's smaller stocks.

Two of the funds, third-ranked CEF Pacific Ventures Trust and fourth-ranked CEF Hong Kong Warrant Trust, hold the bulk of their investments in several Hong Kong companies. The Hong Kong market posted a relatively healthy 5.4 percent return, as trade prospects with China improved.

"What is also helping both the funds and the market in general," says Mr. Mount, "is a heavy inflow of money from Taiwan."

The tiny half million dollar CEF Pacific Metals Shares Trust turned in the quarter's seventh best performance, largely on the strength of "one very speculative Australian holding," says Mr. Mount. While the overall market registered a minus 9.9 percent return in dollar terms, several so-called "penny dreadfuls" in the mining sector tallied double-digits returns.

These companies literally sell for pennies, and their assets often consist of nothing more than cash that will at some point be invested in mining ventures. The shell owned by Mr. Mount is a $900,000 company called Falcona that rose from 5 cents on the Sydney Stock Exchange at the end of 1989 to 80 cents by March 31.

"The stock rose because the mining executives who control the company have proved particularly adept at finding profitable joint mining ventures throughout southeast Asia," explains Mr. Mount. "These kind of investments are always a bit like drilling oil wells. If you hit the mother lode you walk away rich. If not, you walk away empty-handed."

The Asian market that proved most strongly insulated from Tokyo's shock waves was Indonesia. The Connaught Indonesian Growth Trust placed fifth in the quarter's ranking, while the Malacca Fund, which splits its investments between Indonesia and Malaysia, came in eighth.

"The story behind the rise is simple supply and demand," says an analyst at the Connaught fund. Indonesia, whose economy is growing at a 9 percent annual pace, has become one of the most popular emerging markets in Asia.

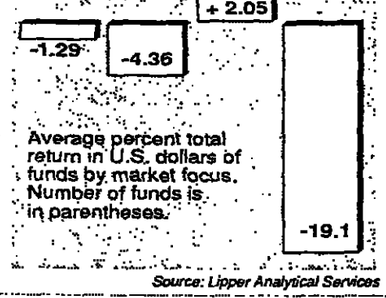
But "with only 87 listed companies and limitations on how much of any particular company foreigners can

Continued on page 12

AP

Floor traders flash hand signals at the Tokyo Stock Exchange.

How Funds Fared By Market



Source: Lipper Analytical Services

Top 10 Funds In First Quarter

Percent total return in U.S. dollars in 1990 first quarter

Tudor B.V.I. Futures Ltd.	44.87%
Gaia Hedge II Ltd.	40.95%
CEF Pacific Ventures Trust	32.00%
Citifunds — U.S. Emerging Technology Fund	29.75%
Connaught Indonesian Growth	26.74%
CEF Hong Kong Warrant Trust	23.38%
CEF Pacific Metals Shares Trust	18.82%
Malacca Fund	18.31%
Gartmore Singapore & Malaysia	16.14%
GT Technology Fund	15.38%

Source: Lipper Analytical Services

International Herald Tribune

French Savers' Savoir-Faire

The sudden popularity of money funds jolts the banks.

By Jacques Neher

Paris

FRENCH savers have discovered money market funds, and the country's banking industry may never be the same.

Treasurers at French corporations have long used the funds for wringing the most favorable returns from their cash. But in recent months, individual investors have caught on to the superior yields that money market funds offer over savings accounts at banks. These short-term SICAVs — Sociétés d'Investissement à Capital Variable — have become so popular in recent months that the government has had to take emergency actions to shore up France's main savings fund.

"The banks tried to hide the existence of money market funds from the public, but the corporate treasurers knew about them, and now the small saver does too," says Robert Marjolin, managing director of Micropal S.A., a company that analyzes the performance of funds.

In the first two months of 1990, close to 70 billion francs ($12.3 billion) were pumped into 316 such funds, bringing the total net asset value of these funds at the end of February to 799.5 billion francs.

If the pace is maintained, the assets in money market funds could expand 57 percent this year, the biggest jump since 1983, when the funds were just being introduced. That year, the 50 funds in existence had assets totaling only 61 billion francs.

At the same time, the amount of savings in the so-called Livret A, a 4.5 percent tax-free account offered by the country's savings bank network, suffered a worrisome decline. Last year, the Livret A funds, which are earmarked to finance public housing, declined by 35 billion francs, and another 17 billion francs were withdrawn in the first two months of this year.

There are three types of these short-term funds. The best performance last year was turned in by SICAV *monétaires* — cash funds that concentrate on overnight money market instruments. In 1989, these funds returned an average of 8.9 percent. Two other categories of short-term funds, low risk and medium risk, generated returns of 7.4 percent and 6.1 percent, respectively.

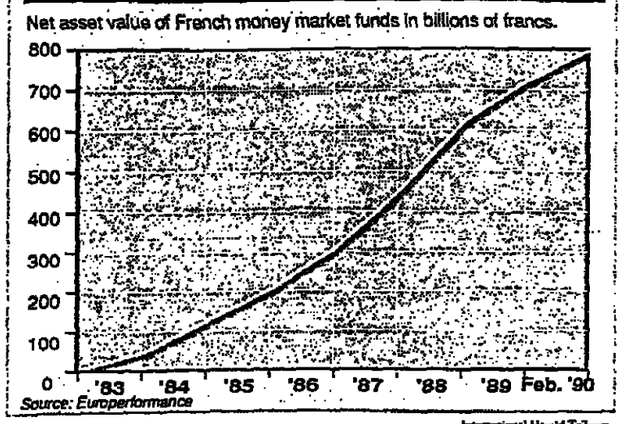
Beyond the averages, there were 15 funds, measured between Dec. 16 and March 16, that provided annual returns higher than 10.7 percent, according to Europerformance, another fund-performance group. The top performance in the period was registered by insurance group GAN, whose Normarif medium-risk fund posted an annualized return of 13.75 percent.

"People can get 10 percent from this

Continued on page 12

A Surge in Assets

Net asset value of French money market funds in billions of francs.



Source: Europerformance

International Herald Tribune

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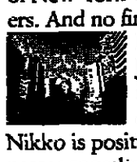

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OFFSHORE FUNDS

Ins and Outs of Fund Expenses

A little homework on fees can pay off.

By Victoria English

London

FEW CAN fault the offshore fund industry when it comes to the range of choice offered to investors. Traditional equity, bond and currency funds still predominate. But added to these basic types of funds are a growing number of specialized portfolios that aim to take advantage of new geographical areas of growth, such as Eastern Europe, or fast-moving derivative financial instruments like warrants.

"The possibilities for investing are greater than at any time in the recent past," observes Graeme Caton, who tracks the offshore industry for James Capel & Co. "And agents are actively marketing the products to a whole host of individuals."

In the atmosphere of intense competition for investors' attention, some firms might be expected to start shaving their sales charges — sometimes called front-end fees — and management charges as a way of luring new money. But, if anything, a round of increases in fees over the last two years looks likely to hold. In the worst case, charges may even creep up further.

"We see no downward pressure on front-end and management fees," says Christopher Cottrell, a director at Robert Fleming & Co. "If anything, the pressure is to push it up."

Mr. Caton believes the fund groups would have a hard time raising their fees now, but he definitely rules out any reduction. "Things have stabilized for the moment," he says. "I can't see the offshore fund industry charging more until the quoted industry does."

In a sense, the pressure on the fund charges is not as strong as it might be because few investors focus on the effect of expenses on fund performance. In the United States, regulators have required mutual fund companies to provide examples in their prospectuses of the impact of a fund's fee structure on potential returns. U.K. regulators are tightening up on marketing practices for the domestic market, but the offshore fund market faces few pressures on the pricing issue.

"There hasn't been a lot of competition in pricing offshore (products)," notes Alastair Begg, head of the international department at Kleinwort Benson Investment Management. "If anything, the competition is in the differentiation of products and in the way funds are sold."

Followers of the offshore fund industry say that sales charges have risen on average a full percentage point and management fees are generally up about a half percentage point over the past two years. Sales charges for the typical offshore equity fund now run as high as 6 percent, while initial charges on bond funds are slightly less, at around 3 percent. Currency funds typically do not charge initial fees.

Management fees vary more widely. For their services, fund managers claim anywhere from 0.5 percent to 1.75 percent a year of a portfolio's value. The high end of the range is usually for the kinds of investments that demand expensive research or specialist skills — such as small-company stocks or warrants.

It does not require higher mathematics to figure out that such fees can cut out a hefty slice of returns. In rough terms, if an investor pays a 6 percent sales fee and the management company takes 1.5 percent of the portfolio, that means the fund's investments have to increase in value by 7.5 percent in the first year for the investor to break even.

The message for investors, say professionals, is that a little research can pay off. And the place to start is with the initial sales charge.

Sales charges are often expressed as the percentage difference between the price at which a fund will redeem shares — called the bid — and the price at which it will sell shares — called the offer. The bid price usually represents the per-unit net asset value of the fund, calculated as the value of the portfolio divided by the number of units outstanding.

Thus, if a fund is quoted at $100 bid, $106 offered, an investor will pay $106, but only $100 actually will be invested. The difference of $6, which works out to 6 percent of the bid price, is either paid to the fund directly or is divided between the fund and its selling agent.

A customer with a small amount to invest will usually have to pay the full fee. But for larger amounts, reductions in the front-end fee are nearly always available, according to Jerry Bolton, manager of investor services at Fidelity International. Investors buying a hefty number of units should ask about a discount.

Some funds are moving away from quoting bid and offer prices. Instead, they simply quote the per-unit net asset value of the fund, plus a flat charge. In practice, this is similar to buying shares from a broker and paying a commission.

This so-called single pricing structure may become increasingly common as more funds set up in Luxembourg to take advantage of European Community legislation allowing cross-border mutual fund sales. A single pricing structure is more in line with the practice in many European countries, according to Susan Platts-Martin, Fidelity International's associate director of product development.

Finally, the investor should determine whether a fund charges a redemption fee. This is a charge for selling shares back to the manager should the investor decide to take money out of the fund.

Redemption — or back-end fees, as they are sometimes called — are not common. But they may be slipped into a fund's fee structure where there is a low front-end fee. "Redemption fees won't be standing in bold face print" in the prospectus, cautious one investment professional.

A few funds link the annual fee to the fund manager's performance. In these cases, the management compensation is usually tied to how well it performs in comparison with a certain benchmark index.

An example is the Fidelity World Fund, with assets of $124 million. The fund is designed to invest in the stock markets of major industrialized countries, with the aim of long-term capital growth. ☐

PERFORMANCE

Tokyo Fall Buffets Funds

Continued from page 11

own, it is a matter of getting a quart into a pint pot with regard to cash," says the analyst. Even if investors pull out of other Asian markets because of a fear that the Japanese, the region's main economic force, are retrenching, "they won't let go of their Indonesian stocks," he says. "They are simply too hard to get hold of."

Unlike the Connaught fund, the Malacca fund is a closed-end investment company with a fixed number of shares. As a result, the price of shares in the fund, which are listed in London, have outpaced the growth in the underlying net asset value of the portfolio. In the first quarter, the share price rose 25 percent, and the fund is currently trading at an 8-percent premium to its net asset value.

The final Far East entrant in the quarter's Top 10 is the Gartmore Singapore and Malaysia Fund. "Fifty-seven percent of the fund is invested in the Kuala Lumpur Exchange, while the rest is in Singapore," says George Long, spokesman for the $9 million fund.

Golds funds suffered a sharp setback in the quarter, with some of the losses attributable to the drop in the South African rand. The 29 gold funds tracked by Lipper Analytical Services declines an average 9.72 percent in value in the first three months of the year.

Among currency deposit funds, the best performers were those denominated in Swiss francs, up an average 5.16 percent; sterling, up an average 4.42 percent, and French francs, up 3.43. ☐

12-Month Leaders

Percent total return in U.S. dollars for 12 months ended March 30, 1990.

JF Philippine Trust	101.53%
GAM Singapore/Malaysia	92.91%
Siam Fund	87.33%
Baring Malaysia & Singapore	85.02%
Singapore & Malaysia Trust	84.30%
Connaught Thailand Fund	76.97%
Concentra	75.06%
Thesaurus	73.10%
Dit-Fonds für Vermögensbildung	72.70%
GT ASEAN Fund	71.19%

Source: Lipper Analytical Services

5-Year Leaders

Percent total return in U.S. dollars for five years ended March 30, 1990.

JF Philippine Trust	1,403.47%
JF Japan Trust	520.22%
Tyndall Tiger Fund	421.90%
JF Pacific Income Trust	411.75%
Samurai Portfolio	411.46%
JF Pacific Securities Trust	402.16%
Lazard European Fund	389.71%
GT ASEAN Fund	386.98%
Lazard Japan International	377.18%
Guinness Flight Global Strategy European Fund	374.60%

Source: Lipper Analytical Services

Boom in French Money Funds

Continued from page 11

product without taking any risk, so why should they keep their money in a Livret A and get only 4.5 percent?" reasoned one money market professional. "There's been a change in people's mentality and their behavior when it comes to savings."

Boosting the attractiveness of these funds was a decision by the government last fall permitting funds to adopt a capitalized structure. With this change, interest revenue could be re-invested in the funds, as it is in U.S. money market funds, instead of having to be paid out to shareholders. Many of the funds have already converted or are in the process of converting to capitalized structures.

The change meant investors could see their interest payments compounded and rolled into the value of their shares. This was particularly important because of the differing tax treatment. Interest payments are taxed as income, but gains on shares are exempt from any levy as long as the total value of holdings cashed in does not exceed 298,000 francs. By capitalizing the interest payments, money market fund holders could received favorable tax treatment on their interest payments.

Though banks have moved quickly to create SICAV monétaires, they have done so only grudgingly, pushed by stiff competition and consumer demand.

"It's fundamentally an unprofitable business," says Mr. Marjolin. "The banks offer it as a loss leader to attract clients and to hold on to the ones they have."

THE funds typically charge no commissions at purchase or sale of shares, and management fees vary between 0.2 percentage points for SICAVs targeted for the corporate market up to 0.8 percentage points for those designed for savers.

The competition has forced many of the funds to become more accessible to the smaller saver. While there are still corporate funds that demand more than 100,000 francs for one share, many have opened up to investors for as little as 10,000 francs, or even 1,000 francs, a share.

The SICAV monétaires are mostly made up of *rémérés*, instruments similar to repurchase agreements in the United States. The sponsoring bank typically sells the fund a bond with a 10 to 15 percent discount, while reserving an option to buy it back before a certain date sometime within six months.

The low-risk funds, called SICAV *régulières*, are generally composed of fixed-rate bonds with rather short maturities — three months to two years. The medium-risk funds, called SICAV *sensibles*, are invested in fixed- or variable-rate bonds with maturities of up to five years. At the end of February, there were 166 cash funds, 83 low-risk funds and 63 medium-risk funds. ☐

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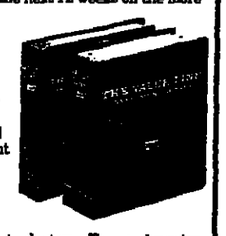

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Hill Samuel (Channel Islands) Trust Co. Ltd.	
Hill Samuel Overseas Fund	$11,500
Hill Samuel Int'l Bond Fund, Dollar Class	$10,000
Hill Samuel European Equity Fund	$10,500
Hill Samuel Crossbow Fund	$11,000
Hill Samuel UK Growth Fund	$4,500
Hill Samuel Int'l Currency Fund, Dollar Class	$2,500

PORTFOLIO 2	
Kleinwort Benson Investment Mgt Ltd.	
Kleinwort Benson Int'l Accumulation Bond Fund	$5,000
Kleinwort Barrington Smaller Companies Trust	$2,500
Kleinwort Benson Signet Fund	$5,000
Kleinwort Benson Pinechurch U.S. Growth Fund	$7,500
Kleinwort Benson European Special Trust	$10,000
Kleinwort Benson (C.I.) Japan Fund	$7,500
Kleinwort Benson (C.I.) Far East Fund	$7,500
U.S. $ Deposit (Cash)	$5,000

PORTFOLIO 3	
Stock Group (Channel Islands) Ltd.	
Fidelity PP European Fund	$10,000
Jardine Fleming Japan Trust	$10,000
Fleming Flagship Japan Fund	$5,000
MIM Nippon Warrant Fund	$2,500
Jardine Fleming Japan Smaller Companies	$3,750
Jardine Fleming Eastern Trust	$7,500
Baring Malaysia & Singapore Fund	$8,250
Man Mint Limited Fund	$5,000

3 Votes for European Stocks

By Nigel Adam

London

THREE advisers on offshore funds are resisting the urge to bail out of a badly battered Tokyo stock market and would raise the level of investment in Europe.

The advisers were asked to update their recommendations for a $10,000 model portfolio for a dollar-based investor favoring growth over income and willing to accept a moderate level of risk. The previous update was at the end of September 1989.

Stock Group's portfolio declined to trim back the 70 percent of the portfolio invested in the Far East, with about 42 percent devoted to Japan. "We remain fully committed to the Tokyo market, although investment will be on a selective basis only," says Andrew Christensen, Stock Group's assistant director.

Each adviser is resisting the urge to flee Tokyo.

Part of that selective approach means devoting about 7.5 percent of the portfolio to a Japanese smaller-company funds and about 12.5 percent to the Singapore and Malaysia markets. Six months ago, the firm had recommended the sale of all U.K. holdings, in expectation of the decline in sterling against the dollar.

Mr. Christensen says interest rates in Japan needed to rise in order to slow the economy and stem the capital outflow. "The bond market spotted this early in the year and adjusted accordingly," he observed. "Stocks were left overextended and are only now adjusting".

Japan is adjusting to a period of slower — but still healthy — economic growth, accompanied by moderate inflation and tight monetary policy, says Mr. Christensen. The transition is likely to be volatile and painful, but if buying comes into the market, the upward reaction will be as swift as the recent fall, he believes.

Kleinwort Benson's exposure to the Japanese market remains unchanged at a modest 15 percent, and the firm sees little reason to alter it.

"Despite recent poor performance we believe that, over the longer term, above-average growth rates will exert a stabilizing influence," says spokesman Andrew Gregory. "We also expect the yen to appreciate later this year."

In the United Kingdom, Kleinwort cites both political and economic uncertainties as reasons for limiting investments to an unchanged 5 percent of the portfolio. By contrast, the firm's relatively high allocation to Continental Europe — 20 percent — is justified by the changes in Eastern Europe, says Mr. Gregory.

Hill Samuel's portfolio makes some modest adjustments in Far Eastern investment. These shifts involve trimming back its investment in the Crossbow Fund, which is roughly two-thirds invested in Japan and one-third in other Pacific stock markets. In the most recent portfolio, Crossbow represents 22 percent of the portfolio, compared with 27 percent in September.

"We took the view some time ago that the yen was greatly overvalued," says Hill Samuel spokesman Rene Thebault, "and we see no reason to change that." The bank has also reduced its U.K. holdings to 9 percent from 14 percent, on the view that further falls in sterling are likely to harm a dollar-based investor.

The beneficiaries of these adjustments are the Hill Samuel European Equity Fund, up to 21 percent, and the International Bond Fund, which now accounts for one-fifth of the portfolio. Mr. Thebault particularly favors the German stock market, against the background of a rising Deutsche mark, and also looks for market appreciation in Italy and Spain.

The portfolio's investment in dollar-denominated bonds has been boosted on currency grounds. "We like the U.S. currency and we feel that interest rates are near the top of the current cycle," says Mr. Thebault. □

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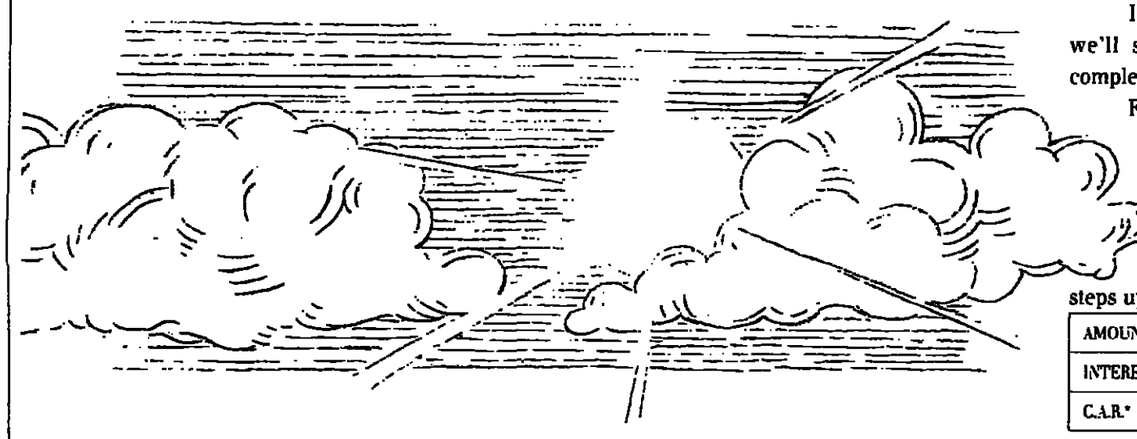

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EMERGING MARKET FUNDS

Istanbul: Modest Signs of Maturity

The casino mentality is fading a bit, some believe.

By David C. Lanchner

UNDERWRITERS of the Turkish Investment Fund launched the closed-end fund on the New York Stock Exchange last December in what seemed to be auspicious circumstances. Investors were displaying a strong appetite for emerging-market funds, and the 4-year-old Istanbul stock exchange was enjoying one of its strongest rallies ever.

But the first exchange-listed fund for investing in the Turkish market went on to exhibit one of the frustrating aspects of "closed-end" funds — so-called because they have a fixed number of shares. While the net asset value of the fund's portfolio rose from $10.95 at launch to $14.63 at the end of March, the share price fell from $12 to $11.50.

To be fair, the Turkish Investment Fund had the misfortune of being caught in a sharp correction in the prices of many "country funds" traded in New York and London. Moreover, investors — already coping with a wild ride in the world's major markets — had little reason to search out a minor exchange with a roller-coaster reputation.

"This market has been a casino," acknowledges Zafer Bassac, director of TEB Ekonomi Aristirmalari, the research and investment company that acts as local adviser to Morgan Stanley, manager of the Turkish Investment Fund. "It has been dominated by short-term speculators who have never seen or even heard of research reports."

The rally at the end of 1989 and in early 1990 gives some notion of the volatile trading on the Borsa, as the exchange is called. From December through early February, share prices rose a spectacular 156 percent in dollar terms. Then a 20 percent decline came in the latter part of February.

But the correction was modest by Istanbul standards, say market observers, giving cause for optimism. "This is the first time the market has been able to sustain itself at a decent level after a sharp upward movement," says Mr. Bassac. "It is a sign that the market's gaming mentality is vanishing."

Perhaps. But even the 21 percent discount on the Turkish fund is unlikely to tempt foreign investors until more convincing signs of maturity appear. Indeed, the market's checkered past makes investors leery.

Housed in a sleek, modern building at the edge of the Bosporus, the exchange is successor to an unofficial market known as the Vakifan, a commercial building in downtown Istanbul. There, unregistered dealers traded unquoted shares from cafés and grocery stores, with frequent incidents of price gouging and fraud. The creation in 1986 of the current exchange, the Istanbul Menkul-Kiymetler Borsasi, brought regulation to the market. Now, a commission oversees dealings, insuring that buying and selling prices are publicized.

But some of the abuses of the Vakifan linger. It was discovered only in January, for example, that shares worth $15 million in one of Turkey's most actively traded companies, Cukorova Elektrik, were counterfeit.

Problems other than outright fraud also persist. A British money manager who prefers to remain anonymous, but who is one of the largest investors in Istanbul, notes the lack of sophistication among local brokers.

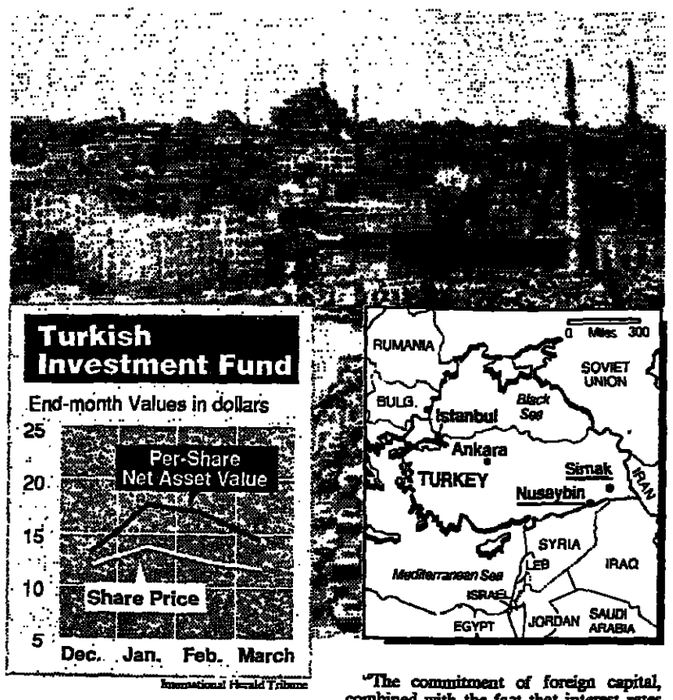
"Many brokers still sell shares not on the basis of a company's prospects, but because the shares cost only 3,000 lira when stock in another company is selling for 30,000 lira," he marvels. "For all you know, the company the broker is trying to sell could be bankrupt."

BUT many analysts note that, for an emerging market, such a gaming house mentality is normal. "This is particularly true when you start from very low volume, as we did, and have a very narrow number of publicly traded shares," says Mustafa Akan, executive vice president of Garanti Bankasi in Istanbul. "If there is a large inflow of money, everything will go up regardless of its quality."

Boosters of the Istanbul exchange say the recent rally has encouraged a longer-term view of the stock market among local investors. The rally was triggered by a cut in interest rates on bank deposits, always the main factor in the exchange's ups and downs. Until October, one-year lira deposits paid an annual interest rate of 93 percent. Then the key interest rate was lowered to 63 percent as part of a government effort to head off spiraling inflation and invigorate a sluggish economy.

With consumer prices increasing at an annual pace of 73 percent, "investors who wanted to protect their savings from erosion had no choice but to turn to the stock market," says Mr. Akan.

But the rally had more than usual credibility because it followed an August decree lifting all restrictions on foreign investment and on the repatriation of capital overseas. The effect on the market was impressive. The value of trading has increased over the last seven months from roughly $1 million a day to an average of about $25 million a day.



"The commitment of foreign capital, combined with the fact that interest rates are not likely to head back up anytime soon, has convinced people that it makes sense to stay in this market longterm," says Tony Cercel, who helps manage the Mediterranean Fund, a London-listed closed-end portfolio that has roughly 15 percent of its assets invested in the Borsa. "That is likely to give the market a firm base and reduce the wild swings of the past."

Another positive sign has been a new willingness by Turkey's family controlled companies to finance their growth through share issues rather than bank loans. This should, in time, lead to a significant expansion in the supply of shares, allowing investors the opportunity to buy companies with good prospects rather than firms where shares simply happen to be available. □

Despite Gloom, Greek Stocks Shine

ANOTHER Mediterranean market attracting foreign interest these days is Athens, where investors apparently believe that any government emerging from Sunday's elections will have no choice but to remedy the country's precarious financial condition.

"What you have is a situation where external pressures leave the Greeks on both the right and left no choice but to get their economy in order, and that has been good for the markets," says Marc Antoine de Dietrich, manager of Schroder Investment Management's Greece Fund, a closed-end fund trading on the London stock exchange.

Though Greece has been racked by political scandal, heavy foreign debt, high inflation and a deteriorating trade balance, the Athens Stock Exchange scored an astounding 35 percent rise in dollar terms in the first quarter of 1990. In the same period, though, Mr. de Dietrich's fund chalked up a gain of 43.6 percent by avoiding the publicly traded but weak state-controlled companies listed on the Athens market.

The price shares in the Greece Fund advanced 44.5 percent, but the fund still trades at about 20 percent below its per-share net asset value. Mr. de Dietrich believes the fund still represents a bargain.

"The political situation is likely to improve, and the fundamentals of many private Greek companies are strong," he argues. There are no restrictions on foreign investment in Greek shares, but long settlement delays — and the absence of research reports and audited financial statements — make the Athens market a risky venture for outsiders.

The most significant pressure on Greek policymakers comes from the European Community. EC officials want Greece to halt subsidies to uncompetitive businesses and find a way to bring the huge off-the-books black market — estimated to represent 40 percent of the economy — into the tax base. Athens' dependence on the EC's low-cost loans and development money gives Community officials a strong lever.

Mr. de Dietrich compares Greece's situation to that in France or Spain in the late 1980s, when Socialist governments were forced to give market forces greater play in the economy. "The added value for whatever party carries out these reforms is that they can tell any disgruntled voters that they have been forced to take austerity measures by outside forces like the EC," he says.

Normally, investors could expect a flat or down market during the initial stages of such economic restructuring. Company earnings would usually suffer in this period as inflation as credit tightening restricts spending. But Mr. de Dietrich believes the market may "glide over this period." His reasoning: The Athens exchange is dominated by small investors who will be cheered by any sign that the government will be taking the situation in hand. Other forces that could help buoy Greek stock prices includes the flow of money from foreign investors and strong earnings for some companies in the private sectors. □

David C. Lancher

HONG KONG FUNDS

Spurning the Safety Net

Hong Kong investors have been slow to accept the notion of guaranteed funds.

By Steve Glain

Hong Kong

IN THEORY, it sounds like a timely investment, given the recent instability of the world's equity markets: A fund that guarantees the return of the original investment after a specified period of time while allowing the investor to participate in rises in the market. Conservative investors could rest easy knowing that, though their gains may not keep pace with the stock market's, their downside risks were minimal.

Nonetheless, a stable of guaranteed funds launched by Scimitar Asset Management Asia Ltd. have been slow to take hold in Hong Kong after their launch last November. Although sales have picked up recently, according to Scimitar executives, the funds' fitful debut highlighted the obstacles in marketing a conservative fund in Asia's aggressive investment climate.

"In Hong Kong in particular, people look for performance," notes Vincent Chan, director of another local fund management group, Matheson PFC Ltd., a subsidiary of the Jardine group. "In the U.S., for example, people are quite happy with 15 to 20 percent growth. But in Hong Kong, investors are attracted to returns of 40 to 50 percent."

Scimitar originally unveiled eight mutual funds based on the guarantee. The minimum investment for the funds is $2,500, with a maximum initial sales fee of five percent. Scimitar collects an annual management of 1.5 percent of the total net assets.

The guarantee is offered in straightforward terms. Investors are promised that if they hold on to the fund until Nov. 15, 1999, they will receive the highest net asset value attained by the fund since their original investment. That means that in no event will they receive less than their original investment.

But the guarantee does not apply if the investor redeems holdings before the maturity date. In that case, the investor simply receives the current net asset value of the shares, which could be above or below the value at the time of the original investment.

Guaranteed funds are not new, although most are invested primarily in money-market instruments, bonds or commodities. The novel feature of the Scimitar funds is that they combine equity investments with a zero-coupon bond.

Half the funds' assets are invested in shares, the other half in zero-coupon bonds.

Zero-coupon bonds are ideal investment for such guaranteed schemes. These bonds sell for a fraction of their face value and are redeemable at maturity for their full face value.

Followers of the Hong Kong investment scene cite several reasons that the funds got off to a slow start. One problem was timing. The launch coincided with the winter holiday season, when many investors are winding up their investment plans. Two of the eight funds — the Canadian-American and United Kingdom funds — withered away before taking root. (Other funds targeted Asian and Pacific markets, and continental Europe.)

Scimitar executive also blame a marketing campaign that did not adequately spell out how the funds work. "The retail investor doesn't yet understand the product," says Ian Dallas, assistant director of Scimitar Asset Management Asia Ltd., a division of the Standard Charter Bank Group.

IN retrospect, Mr. Dallas says, it would have been wiser to have introduced only one fund then added new funds after the idea had been accepted by the marketplace. "The first thing you think of when you look at funds is, shall I buy or not?" he says. "Then you add another eight factors to consider. It doesn't make sense."

The first fund should have also focused on a market with a high degree of volatility, Mr. Dallas says, where the value of protection against a sharp fall is clear.

But some investors also questioned whether the need to pay a fund manager a fee for keeping half their money in cash. In this view, investors can carry out similar conservative strategies independently.

"So you take half your money and put it in an interest-bearing account, then invest the rest in an emerging stock market," notes a fund manager with a U.K.-based money management firm. "Most people realize they can do that on their own."

That view is even more compelling when the investor considers that Scimitar is levying its initial sales fee and its annual management charge on the total amount of the investment, when it is, in effect, only managing half the money. Moreover, the Scimitar guarantee only applies if the money is left in the fund for 10 years, a long time by most investors' standards.

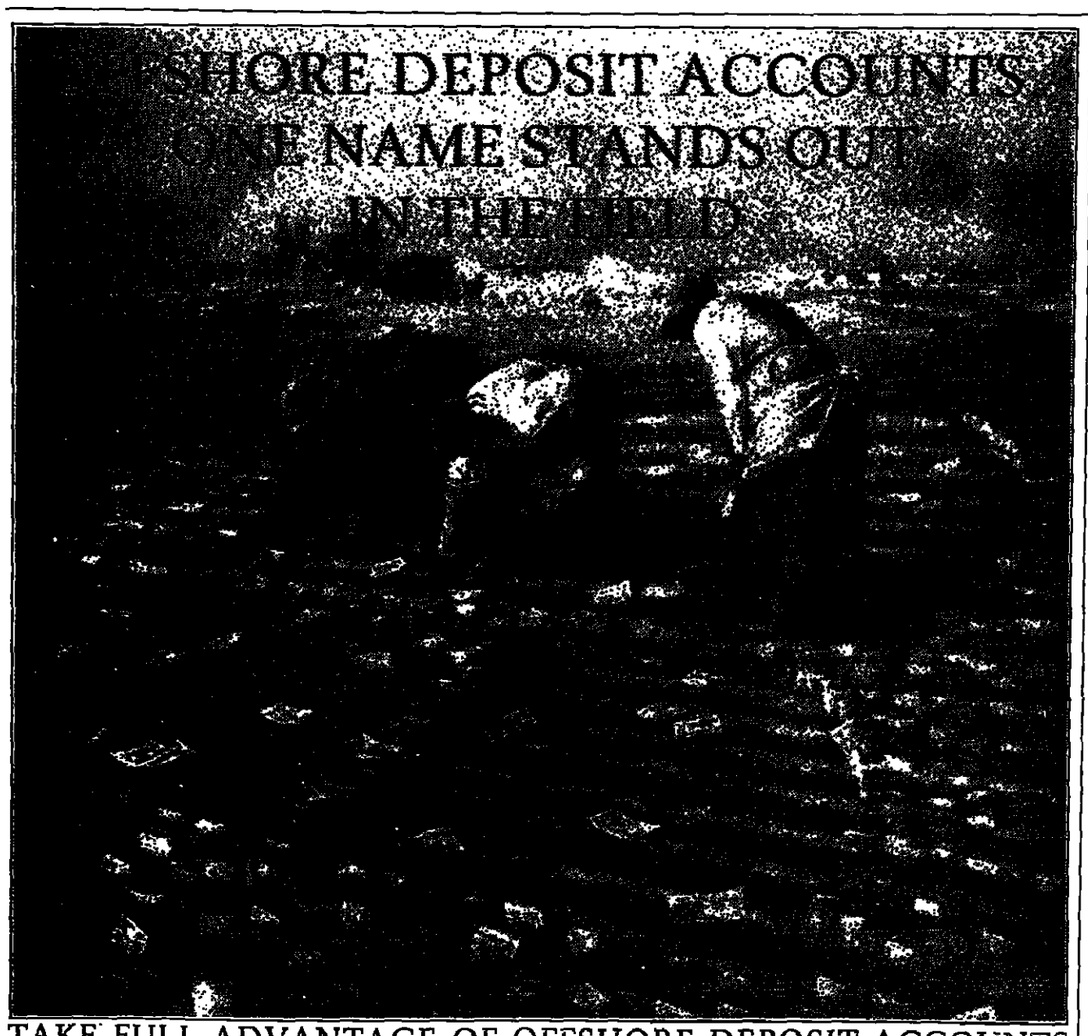
In the end, though, the main problem may be that the funds hold little excitement for investors. Because only half the funds' assets would be in shares, the funds are virtually doomed to underperform a rising stock market. Indeed, professionals say most investors habitually overestimate their chances of winning big. To these people, the insurance of never having to face a loss seems like scant compensation for giving up potentially racy performance.

"At the end of the day, people look for performance, and people know these funds can't beat other equity funds," says Mr. Chan.

Eventually, Mr. Dallas says, Scimitar hopes to find a stronger market for its guaranteed funds among pension funds and institutional investors — groups more averse to risk than the typical individual. The number of registered pension funds in Hong Kong is expected to double to more than 20,000 if retirement fund legislation is approved, as expected, this summer, according to U.S.-based pension management consultants William H. Mercer Ltd.

"We have to change our marketing campaign," says Mr. Dallas. "Right now, our clients are almost all retail, and a lot are still on the sidelines waiting to see what happens."

Scimitar declines to disclose how much money is in the guaranteed series but says it expects to raise more than $250 million over the life of the funds.



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U.S. MUTUAL FUNDS

Timers See Hints Of Rally

By Judith Rehak

New York

ARMED with bullish indications drawn from complex computer programs and damningly complicated charts and tables, market timers are shifting back into the stock market.

The Timer Digest, a Greenwich, Connecticut, publication that tracks the performance of market timers, counted seven bulls among its top 10 advisers as of March 26. And managers of stock mutual funds report that their inflows of cash have accelerated as market timers sent word to the faithful that the moment was right to move back into the market.

The more radical advise clients to be completely in stocks or completely in cash.

Market timers try to predict the market's direction through a variety of complex technical factors. Price charts, interest rate movements, and indicators like the number of stocks rising in price compared with the number falling in price are just a few examples of the sources of factors used by timers. The more radical of the breed take a binary approach to the market, advising clients to be completely in the stock market or else completely in cash. Executing the strategy typically involves switching between money market funds and stock funds.

Although skeptics sometimes lump market timers in the same category as crystal ball gazers, increased market volatility and fears of being caught in a steep slide have brought the more proven of these specialists both credibility and a dedicated following.

One of the few timers to beat the Standard & Poor's 500 Index in 1989, Gerald Appel of the Systems and Forecasts newsletter in Great Neck, New York, turned optimistic in mid-March. Although Mr. Appel is not happy with the small number of stocks that participated in March's upswing, he calls himself "cautiously bullish."

He sees increasing evidence that the economy may be performing better than expected. But until his model gives a clearer reading, he is hedging his bets by advising clients to put 65 percent of their assets in a conservative blue-chip stock fund with low volatility. "It won't do badly if the market should turn downward," he says.

Michael Burke, editor of the Investors Intelligence newsletter in New Rochelle, New York, joined the bulls' camp in late January when his "sentiment index," compiled by polling 130 newsletters, rose to 57 percent. The reasoning: A highly bearish reading means investors are holding a lot of cash that can flow into the market at the sign of an upturn, leading to a strong rally.

"It hasn't been that bearish since just before the start of the bull market in 1982," he says, "and when it's over 55 percent bullish or bearish, we're looking to go in the other direction."

Mr. Burke, who also tracks the market with a computer model, keeps a close eye on the Value Line index because he believes its broader base of 1,700 stocks gives a more accurate picture of the market. Currently 100 percent invested, he has been moving into funds specializing in technology and energy since early February. His advisory service has been the top-performing fund newsletter for the last three years, according to the Hulbert Financial Digest, a publication that tracks financial newsletters.

March Market Scoreboard

Best Performers

	Price March 31	Percent Change
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars.		
L.A. Gear Inc.	38.88	+46.7
Norton Co.	79.50	+38.0
Jackpot Enterprises	10.50	+35.5
Elgar Enterprises	19.75	+35.0
Whitehall Corp.	17.38	+34.9
Best Buy Co.	10.38	+33.9
L.E. Myers Co.	12.13	+32.8
TCBY Enterprises	21.50	+31.3
American General Corp.	38.88	+30.4
Whittaker Corp.	10.00	+29.0
American Stock Exchange:		
Landmark Land Co.	16.38	+84.5
A.O. Smith Co. A	18.25	+32.7
Team Inc.	14.25	+31.9
DWG Corp.	11.13	+30.9
NS Group Inc.	13.38	+30.5
Over the Counter:		
Cobe Laboratories	32.50	+75.7
Eastchester Financial	14.13	+52.8
Am. Power Conversion	29.50	+49.4
First Home Fed. SBL	17.75	+47.9
Fayette Fed. Savings Bank	21.00	+47.4

Worst Performers

	Price March 31	Percent Change
Kubota Ltd. ADR	115.50	−29.2
Xtra Corp.	20.75	−27.5
Unionfed Financial Corp.	10.63	−24.1
Thai Fund Inc.	20.00	−20.8
First Philippine Fund	10.13	−20.5
Public Service N. Mexico	12.38	−20.1
Biocraft Laboratories	14.00	−20.0
Lyondell Petrochemical	17.00	−19.0
Asia Pacific Fund Inc.	13.88	−19.0
Hibernia Corp. A	16.63	−17.9
Jan Bell Marketing	10.00	−29.8
Graham Corp.	22.00	−22.8
First Iberian Fund	10.00	−22.4
Cablevision Systems A	23.63	−19.6
Curtice-Burns Foods Inc.	20.25	−17.8
Baybanks Inc.	16.63	−29.2
LIN Broadcasting	81.50	−27.2
Carlton Communications	17.88	−27.0
Constellation Bancorp	15.00	−25.0
Toldo Marine & Fire	43.63	−24.8

London Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in pence.

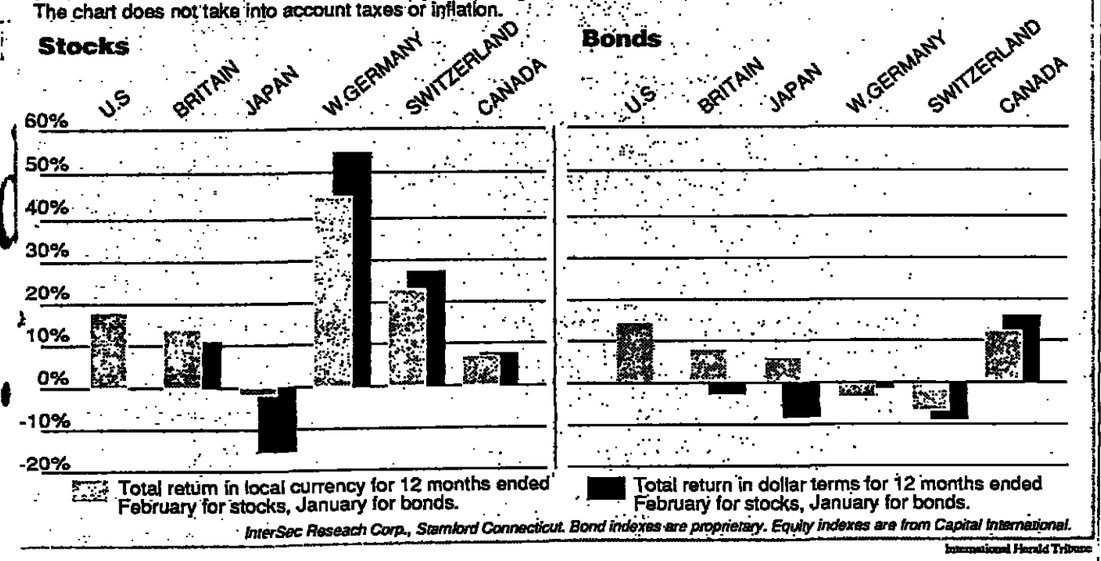
Amstrad	72	+41.2	Carlton Communications	545	−26.4
De Beers	1,275	+16.6	Calor Group	258	−16.2
Astec	45	+16.4	Wessex Water	154	−15.8
Berisford International	138	+17.9	Cookson Group	188	−15.3
Steetley	396	+12.5	Granada	255	−14.8
Bowater Industries	483	+10.3	South West Water	160	−14.8
Courtaulds	337	+10.2	Next	92	−14.0
Sutor	143	+10.0	Hambros	272	−13.7
Glaxo Holdings	771	+9.8	Transport Development	194	−13.4
Inchcape UK	283	+9.3	McCarthy & Stone	67	−13.0

Tokyo Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in yen.

Chiyoda Corp.	2,470	+27.5	Higo Bank	1,100	−48.1
Teikoku Sen-I	2,130	+19.0	Cosmo Oil	810	−34.7
Hirose Electric	8,400	+15.4	Daikyo	2,930	−34.4
Kyushu Matsushita Elect.	3,600	+14.3	Mitsubishi Steel Mfg.	1,450	−34.4
Matsushita Kotobuki	2,590	+12.6	Arabian Oil	9,400	−33.3
Seto Kogyo	2,300	+11.7	Seino Transportation	1,710	−31.6
NEC	2,120	+11.0	Mitsubishi Oil	955	−31.3
Nintendo	20,900	+10.6	Teikoku Oil	1,100	−31.3
Kokusai Electric	5,070	+10.0	Nissho Iwai	642	−31.2
Tsugami	1,270	+9.5	Keihin Electric Express	1,090	−30.9

Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



InterSec Research Corp., Stamford Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

International Herald Tribune

Battle in Money Funds Heats Up

At issue is the practice of groups waiving fees on funds.

By Vivian Lewis

New York

THE MOST mundane of investment products — the money market fund — has emerged as the principal battlefield in U.S. mutual fund groups' latest war for the hearts, minds and money of investors. In fact, the conflict has become so heated that fund groups have taken to sniping at each other's marketing tactics.

At issue is the practice of some large mutual fund groups of waiving their management fees on new money market funds, allowing them to offer enticingly high yields. Competitors complain that the companies offering the high yields should be forced to make clear in their advertising that the fee waiver — and thus the high yields — may be temporary.

So far, the only clear winners in the battle are investors. Over the long haul, there is little difference in money market funds, note experts. The fee waivers — even if temporary — at least represent a limited opportunity for investors to pick up a little extra yield while enjoying the conveniences of these funds, which often include check-writing privileges.

"A money market fund is a money market fund," observes Michael D. Hirsch, chief investment officer of Republic National Bank of New York. "All perform about the same."

"The only advantage is if a fund is willing to absorb expenses, which is a major factor in its yield," he notes.

That is exactly what mutual fund giants Fidelity and Dreyfus have been doing. The Dreyfus Worldwide Dollar Fund, whose newspaper ads tout an annualized yield of 8.85 percent, has raised $6.6 billion through a splashy campaign in newspapers and on television. The firm has committed itself to absorbing all the fund's costs until June 15 of this year, or until the fund reaches $7 billion. But Dreyfus has extended the target date and asset level before and may do so again. The fund has the additional appeal of low minimum investment of $2,500.

Fidelity has built up its new Spartan money market fund to $7.8 billion by absorbing most of the expenses, allowing an annualized yield of 8.64 percent. Currently, Fidelity recoups management fees of only one-tenth of one percent of the fund's assets on an annual basis. The fund's prospectus limits Fidelity to charging no more than 0.45 of one percent until 1992.

Such offers prompted a complaint last month to the Securities and Exchange Commission by John C. Bogle, chairman of the Vanguard Financial Group, a major marketer of mutual funds. He argued that the ads are "materially misleading" because the high annualized yield cited in the headlines are based on fee waivers that may not be in effect for the next 12 months.

AT Dreyfus, Daniel Maclean, vice president and counsel, dismisses the complaint as "sour grapes" born of the company's success. (Fidelity had no comment.) Details on the waivers by both the Dreyfus and Fidelity funds can be found in small print in the ads and is explained in the prospectuses.

The idea of waiving expenses was not original with Dreyfus or Fidelity. In 1987, Fred Alger Management Inc., a manager of pension funds and adviser to a stable of mutual funds, decided to pass up any fees for its money market fund as a means of luring clients. The hope was that once investors knew the firm, they would move on to other Alger funds.

"For us, it makes a lot of sense, as a smaller group," explained Gregory Duch, treasurer and chief financial officer of Fred Alger. "Thousands, millions of people who want an investment advisory service don't know where to go. They don't hear about investment advisers, and they mistrust and don't respond to advertisements."

BUILDING up its customer list is also a major aim of Dreyfus's money market fund strategy, says Joseph S. DiMartino, president and chief executive officer at Dreyfus: "We're getting people in the store and making them familiar with Dreyfus."

Worries that investors stand to suffer greatly if one of the firms waiving fees suddenly starts exacting expenses are generally discounted by fund industry experts. They note that money market fund holders have grown fairly sophisticated. Investors would react quickly to any sudden decline in yields at these funds by simply shifting their money to another, higher yielding fund.

These days, investors can carry out such shifts by picking up the telephone and contacting the funds. Moreover, it is unlikely that the fund groups would allow the yields to drop to seriously uncompetitive levels.

"If we phased in expenses, we would do it gradually," says Mr. DiMartino. "We would make a press announcement and change our ads." □

AP/Wideworld

Michael D. Hirsch

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U.S. Fund Groups Go for Green Stocks

By Carole Gould

New York

SPINNING gold from garbage is the alchemy of the 1990s. That's the message that U.S. fund groups are using to entice investors into new portfolios targeting environment-control companies. Cleaning up "our polluted planet will be the growth industry of the 90s," says Donavon McKerchar, portfolio manager of Oppenheimer's Global Environment Fund, launched last month.

Several small funds were the first to focus on these stocks. The $13 million New Alternatives Fund, a father-and-son operation based on Long Island in New York, invests primarily in alternative energy companies. The $2 million SFT Environmental Awareness Fund of Prussia, Pennsylvania, was set up at the end of 1988.

Joining this list will the Progressive Environmental Fund, part of the Schield Management Co. in Denver, which is scheduled to start investing this month. Its chairman, Glenn S. Cutler, says 5 percent of the fund's marketing fee will be donated to environmental groups each year.

But major fund groups ignored the sector until last June, when Fidelity Management of Boston launched its Select Environmental Services Fund. The Freedom Environmental Fund, part of the John Hancock group in Boston, followed in September. A closed-end investment company, dubbed the Global Environment Fund, has been scheduled for launch in about two months by Alliance Capital Management.

Headlines about oil spills, acid rain and radon-gas dangers have helped spur interest in the sector. Public concern over environmental issues finally prodded Congress to take action recently on a sweeping air-pollution bill and a final vote is expected in May. "Public opinion has given birth to this industry, and it's accelerating," says Mr. McKerchar.

Government spending on environmental programs could soar, fund managers reason, providing a bonanza for well-positioned companies. "Hundreds of billions of dollar are pouring into a brand new industry," says Larry Greenberg, who managers the Fidelity fund.

The potential is even greater when spending by other nations is taken into account. Britain is expected to spend about $25 billion to meet new European Community water standards, and the Netherlands may devote as much as 3 percent of its gross national output to cleaning up the Rhine.

Year-to-date returns for environmental funds have lagged the average for all equity mutual funds. But that is because many popular environmental issues surged last year, and investors have been cashing in, says Michael E. Hoffman, a Salomon Brothers analyst who specializes in the sector. "Most of the poor performance is strictly a function of profit-taking," he notes.

As a group, environmental companies can look forward to "sound earnings" for 1990, he says, though they will probably not match the record gains of last year.

Generally, the environmental sector embraces a wide range of waste-management, pollution-control, paper recycling, engineering and construction companies. The largest holdings in Fidelity's $84 million fund are Laidlaw Industries, a Canadian company, and Chicago-based Waste Management Inc., both leaders in waste-management. Mr. Greenberg says the companies are particularly well-placed to benefit from the trend among towns and cities to turn over their garbage collection services to private firms.

David S. Beckwith, who manages the Freedom Fund, likes Zurn Industries, an Erie, Pennsylvania, maker of equipment and instruments used in plants that burn waste to generate electricity. He expects Zurn to post strong gains as more of these plants are built. The company has the added advantage of profiting from the growth in the business without facing the "attendant regulatory headaches" that plague many environmental-service companies.

Among the favorites of Andrew Groshans, the manager at SFT, is Calgon Carbon, the leading supplier of activated charcoal used in water-treatment systems. Calgon recently acquried a West German company, which Mr. Groshans believes gives it a strong foothold in Europe. □

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The jackpot prizes can go up to $15 million and more. Recently, four people shared $15,502,576.40. Prizes like this make the Canadian lottery the biggest lottery of its kind in the world. Unlike lotteries in the U.S. and many other countries, there are no taxes deducted on Canadian Lotteries, so if you win $15 million, you get a cheque for the entire $15 million!

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MONDAY SPORTS

Opening Day Will Also See Alomar Debut

By Murray Chass
New York Times Service

NEW YORK — When most of major league baseball's teams open the 1990 season Monday, with the rest playing their first games on Tuesday, a half-dozen or so rookies are expected to appear in opening day lineups. But none will command more attention than Sandy Alomar Jr., who, according to some baseball people, was the best catcher in the major leagues the last two years, and he wasn't even in the majors.

Rookies such as Alomar face a trying task when they arrive in the majors highly heralded.

Only last year, for example, Gregg Jefferies of the New York Mets and Gary Sheffield of the Milwaukee Brewers were considered locks for the rookie-of-the-year awards. But they stumbled badly early in the season and struggled to attain the level of play expected of them.

Alomar comes more celebrated than most because he has been talked about for two years while the San Diego Padres, well armed with Benito Santiago, kept him in the minor leagues.

After he was named minor league player of the year both years, he was traded to the Cleveland Indians this winter for Joe Carter.

Finally, at the age of 23, after six seasons in the minors, Alomar has his chance.

"I've been waiting for this," he said. "It's up to me now. In San Diego I never had a chance to make the team, so I'm glad to be traded."

Last year, he said, was the worst year, having to return to Las Vegas of the Pacific Coast League after he was named minor leaguer of the year for 1988.

"Everybody has to play in the minor leagues," he said. "I've always felt that. But last year was a tough year for me. Hopefully, this year I can stay here."

The son of the former major leaguer Sandy Alomar, the catcher was not expressing false modesty. Given his experience and his upbringing, he assumes nothing.

"Everybody can lose a job," he said. "It's still up to me. I have to go out and do my job. Nobody has it made. You can have a bad year. It's up to you. It depends on how hard you work and how you produce. We'll see what happens."

One day in Arizona, Gary Carter sat in the San Francisco Giants' dugout and watched Alomar work out before an exhibition game.

Carter knows something about catching; he has caught in 1,823 major league games, the fifth most in history.

"God bless him," Carter said. "He's starting a career that, provided he's able to stay healthy, he should have a very good one. As big as he is, as much as I've heard about his arm and his bat and the success he's had in the minor leagues, he's one of those can't-miss guys."

Alomar, of course, cannot live this year on his reputation. It is that reputation, in fact, that could make life as a rookie more difficult.

"He's got a little extra pressure on him," Carter said.

"They're probably going to count on him big-time. There's a lot on him as to what he's going to be able to do. It'll be interesting to see. When you're touted as being one of the next superstars, it puts the extra pressure on you."

Playing in Cleveland, Carter went on, very likely will be to Alomar's advantage as he works his way into the majors.

"It's probably best that he doesn't have the high-profile media coverage in Cleveland and maybe he can be himself," the Giants' catcher said.

"Just by what I can see, he's got the tools. I've watched him hit and watched him throw. As long as he takes it slow, he should be O.K. One thing that he has to his advantage is that he has a father that played in the game and probably made him realize what he has to do not to overdo it, give himself a chance to come through and not put that added pressure on himself."

It is perhaps to Alomar's advantage, too, that one of his new teammates is Keith Hernandez, a veteran player the Indians signed in part for the positive influence he can exert on younger players.

"There's a certain amount of pressure that goes along with it," Hernandez said of Alomar's status. "But it's what he wanted. This is his opportunity. So there it is; go for it."

And if Alomar should appear to be affected by the pressure, Hernandez said, he would try and help him.

"I'll keep an eye on him," he said.

Alomar: Best in the majors?

Monday's Opening Games

AMERICAN LEAGUE

Detroit (Morris 6-14) at Boston (Clemens 17-11)
Milwaukee (Bosio 15-10) at Chicago (Perez 11-14)
Baltimore (Milacki 14-12) at Kansas City (Saberhagen 23-6)
Toronto (Stieb 17-8) at Texas (Ryan 16-10)
Seattle (Holman 8-10) at California (Blyleven 17-5)
Minnesota (Anderson 17-10) at Oakland (Stewart 21-9)

NATIONAL LEAGUE

Pittsburgh (Drabek 14-12) at New York (Gooden 9-4)
San Diego (Hurst 15-11) at Los Angeles (Hershiser 15-15)
Philadelphia (Howell 12-12) at Chicago (Maddux 19-12)
Montreal (De.Martinez, 16-7) at St. Louis (Magrane 18-9)
Cincinnati (Browning 15-12) at Houston (Scott 20-10)
(Pitching records from 1989 season)

Mitchell To Miss Start Of Season

Compiled by Our Staff From Dispatches

Kevin Mitchell, the National League's most valuable player last season, will miss the start of baseball's 1990 season with a severely sprained right wrist, the San Francisco Giants have announced.

Mitchell sprained his wrist during batting practice Friday. The Giants said he will be unable to play for at least seven days, but that X-rays revealed no fracture.

The Milwaukee Brewers were less fortunate. They placed shortstop Bill Spiers on the 15-day disabled list Friday, putting three members of their starting infield on the sidelines for the season's start.

Spiers underwent arthroscopic surgery on his right shoulder in January and did not make enough progress during spring training to open the season on the active roster.

The Brewers already had third baseman Paul Molitor and second baseman Jim Gantner on the disabled list. Molitor has a fractured right thumb and Gantner has not recovered from reconstructive knee surgery that he had in August.

In their places, the Brewers are expected to go with Edgar Diaz at short and Billy Bates at second. At third base, the manager, Tom Trebelhorn, said he will use B.J. Surhoff, Dale Sveum and Gus Polidor until backup Gary Sheffield recovers from a sprained wrist.

Meanwhile, in Los Angeles, Hall of Famer Roy Campanella was released Friday from a hospital where he had spent the past three months undergoing treatment for pneumonia and other ailments.

He will join fellow Dodgers Hall of Famers Don Drysdale, Sandy Koufax and Duke Snider in throwing out the ceremonial first pitch on Monday as the Dodgers play San Diego in Los Angeles.

Campanella was hospitalized Dec. 31 with pneumonia. He later developed heart and kidney problems, and had gall stones removed.

In New York, baseball's short spring grew even shorter when Saturday's Mets-Yankees exhibition game at Shea Stadium was snowed out. *(AP, UPI, NYT)*

Japanese Season Opens

The Associated Press

TOKYO — Japan's professional baseball season opened Saturday with a dramatic game that the defending Japan Series champion Yomiuri Giants won, 4-3, when Kazuhiro Yamakura was walked by the Yakult Swallows' pitcher, Hiroto Kato, with the bases loaded in the bottom of the 14th.

Rout Puts Rangers Up 2-0 on Islanders

Compiled by Our Staff From Dispatches

The Rangers won the second battle of New York with a 5-2 victory over Islanders, and it gave them a 2-0 lead in their National Hockey League playoff series at Madison Square Garden.

The Rangers got two goals Saturday night from John Ogrodnick and the Islanders, weakened by the absence of leading scorer Pat LaFontaine, who was out with a concussion, played a physical game only to run into the Rangers' solid rookie goaltender, Mike Richter, who made 30 saves.

The Islanders were still seething over the loss of LaFontaine, who was hurt in an open-ice collision with James Patrick late in the Patrick Division playoff on Thursday.

The Rangers led, 1-0, after the first period, and the teams traded goals early in the second period. With the score 2-2, the Rangers broke it open with goals by Patrick, Ogrodnick and Bernie Nicholls in a span of 5:58.

Devils 6, Capitals 5: Eric Weinrich's controversial goal broke a 4-4 tie with 6:48 left, then Peter Stastny got the winner in East Rutherford, New Jersey.

Stastny scored with 3:05 left on a wraparound from behind the net, and Washington's Dino Ciccarelli scored his second goal of the game and fifth of the series with 1:06 left. The series is tied at 1-1.

Weinrich's first career playoff goal came after Brendan Shanahan broke into the Washington zone and was knocked into the Capitals' net and goalie Don Beaupre after being checked. Jon Morris retrieved the puck and passed to Weinrich at the top of the right circle and his shot sailed past Beaupre, who was tangled up with Shanahan.

ADAMS DIVISION

Bruins 3, Whalers 1: In Boston, Ray Bourque had a goal and an assist as the Bruins, with the league's second-best power play, got all their goals with the man advantage, evening the series at 1-1.

Bourque scored at 10:58 of the first period and Hartford's Todd Krygier tied the game in the second. Bourque then set up Garry Galley's tie-breaking goal at 14:06 of the second period. Bobby Carpenter made it 3-1 at 6:57 of the third.

Canadiens 3, Sabres 0: Mats Naslund had a goal and an assist and Montreal was bolstered by the solid goaltending of Patrick Roy as the Canadiens tied the series at 1-1 in Buffalo, New York.

Roy, who had the NHL's best goals-against average this season, made 26 saves in helping the Canadiens end Buffalo's six-game playoff winning streak over Montreal dating back to 1975. It was the fourth playoff shutout of his career.

In games on Friday:

NORRIS DIVISION

Blues 4, Maple Leafs 2: Brett Hull, the league's leading goal scorer, got a goal and two assists as the Blues took a 2-0 lead over Toronto in the series in St. Louis, Missouri.

Rookie Curtis Joseph, winning his second straight game in goal, had to make only 20 saves behind a tight-checking defense.

Blackhawks 5, North Stars 3: Wayne Presley scored two goals, one shorthanded in a four-goal second period in Chicago, and the Blackhawks got brilliant relief goaltending from Ed Belfour to even their series with Minnesota at 1-1.

Belfour, making his first appearance this season after playing in 23 games last year, came in for Greg Millen with 8:04 remaining in the first period and the North Stars holding a 3-0 lead.

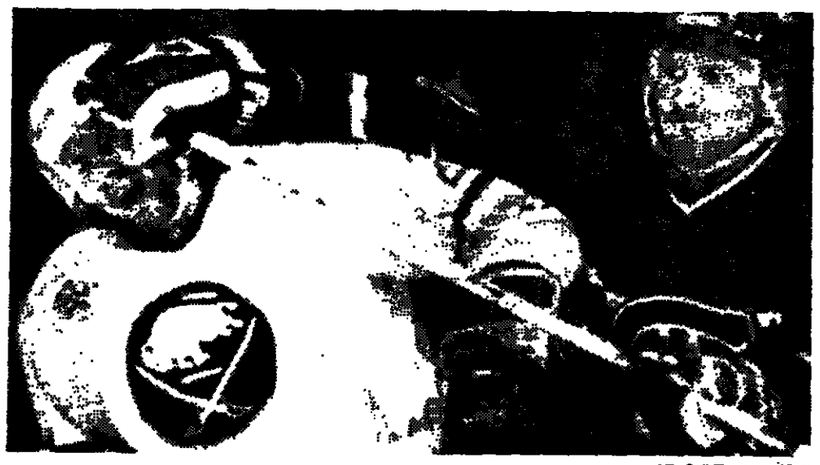
In a wild second period that took 69 minutes of actual time, the referee called 40 penalties, 20 on each team, for 108 minutes. There were 65 penalties for 183 minutes in the game, including five misconducts.

SMYTHE DIVISION

Flames 8, Kings 5: In Calgary, Doug Gilmour had two goals and an assist as the Flames tied the series, 1-1. Los Angeles played without injured Wayne Gretzky for the second straight game.

Oilers 3, Jets 2 (OT): Mark Lamb's goal 4:21 into overtime completed Edmonton's comeback from a 2-0 deficit in Winnipeg.

The Oilers, who scored two third-period goals to force the overtime, got the game-winner when Lamb took a pass from Jari Kurri, broke between defensemen Dave Ellett and Frederick Olausson and whipped a 15-foot backhander past goaltender Stephane Beauregard. The series is tied at 1-1. *(AP, UPI)*



Mike Groll/The Associated Press

Craig Ludwig gave the Sabres' Rick Vaive a shot to the head as the Canadiens evened that series, 1-1.

NHL PLAYOFFS

2 Islanders Suspended, Team Fined $30,000 for Attacks

By Joe Sexton
New York Times Service

NEW YORK — Bill Torrey, the general manager of the New York Islanders, on Saturday criticized as unjust and arbitrary the National Hockey League's decision to fine the team and its coach, Al Arbour, as well as suspend two players for their role in the melee that concluded Thursday night's Patrick Division playoff opener against the New York Rangers.

Torrey said the Islanders would not seek to immediately have commuted the suspensions handed out to Mick Vukota (10 games) and Ken Baumgartner (one game). But he said a formal appeal concerning the $30,000 in fines and the suspensions would be filed at the next meeting of the NHL's board of governors.

"We not only question the president's decision, but even more so his comments attacking the integrity of the team, its coach and the franchise," Torrey said in a statement that referred to the harshly worded ruling issued Friday by the NHL president, John Ziegler.

The incident took place at Madison Square Garden immediately after the final faceoff of the 2-1 triumph by the Rangers.

With two seconds left and the faceoff deep in the Islanders' zone, Arbour, who moments before had seen Pat LaFontaine, his top player, carried off on a stretcher with a concussion, sent out his top fighters and toughest players.

At the drop of the puck and with the Rangers standing nearly back at the blue line, Vukota skated across the zone and attacked Jeff Bloemberg while Baumgartner skated 30 feet (nine meters) before flattening Kris King.

Fights broke out, with Islanders on their bench taking swings at the Rangers and with debris being hurled on the ice from the stands.

"Shameful, disgraceful, degrading all are adjectives that arrive and yet fall short of the mark," said Ziegler, who fined the organization $25,000 and Arbour $5,000.

"Because of the fine history of the franchise and the excellent reputation of the coach, one searches hard for some plausible explanation in mitigation of what took place. Search as I have, none is discovered because there is none."

SIDELINES

Liverpool Stunned in English Soccer

LONDON (Reuters) — Crystal Palace pulled off one of the biggest upsets in English soccer history Sunday when it beat defending champion Liverpool, 4-3, in overtime.

Second division Oldham completed a day of semifinal surprises when it rallied against Manchester United for a richly deserved 3-3 draw. The replay will take place Wednesday at Manchester City's Maine Road ground, with the final set for Wembley on May 12.

Palace, a 9-0 loser to Liverpool in the league earlier this season, twice came back from a goal down to make it 3-3 at the end of regulation time. Then striker Alan Pardew, a bargain buy from minor league team Yeovil, scored on header in the 109th minute at Villa Park to put Palace in its first cup final in the team's 85 years of existence.

Planckaert Beats Bauer by Tire Width

ROUBAIX, France (AP) - Belgium's Eddy Planckaert edged Canada's Steve Bauer in the final inches of the Paris-Roubaix cycling race Sunday, winning the 265.5-kilometer (165-mile) race by less than the width of a tire.

Belgium's Edwig Van Hooydonck came in third. All three riders had jockeyed for position since breaking from a leading group with nine miles left in the race, considered among the toughest, that is run over more than 33 miles of cobblestones.

In the final lap, Bauer pulled ahead slightly, but Planckaert came up alongside at the finish line and a photograph determined that Planckaert had won the third race of the World Cup circuit.

Longshot Sets Grand National Record

LIVERPOOL (AP) — Mr. Frisk, a 16-to-1 shot, held off Durham Edition by three-quarters of a length Saturday for a record-setting victory in the first Grand National steeplechase run since the course was modified to make it safer.

The 11-year-old gelding, ridden by Marcus Armytage, the first amateur jockey to win the 4½-mile race since 1982, was timed in 8 minutes, 47.8 seconds, easily breaking the record of 9:01.9 set by three-time winner Red Rum in 1973.

The race was run over 30 fences but most of the attention focused on the infamous Becher's Brook fence at which 13 horses had died in the last 20 years. No horses were injured there this year, though the American horse Uncle Merlin threw jockey Hywel Davies the second time over the fence after leading for more than two-thirds of the race. But Roll-A-Joint died instantly following a fall at the Canal Turn fence and Hungary Hur broke its leg at the 20th fence and later was destroyed.

Mr. Frisk won $113,000 for Lois Duffey, the 83-year-old American owner who had a horse participating in the Grand National for the first time.

A Lithuanian Challenge in Sports

MOSCOW (NYT) — Lithuanian sports officials, in the same way political leaders are struggling to make Moscow and the rest of the world recognize their republic as an independent state, are engaging their Soviet counterparts in a fight for sovereignty and apparently have made the Goodwill Games in Seattle this summer their first major testing ground.

When Lithuania declared its independence on March 11, the republic withdrew its athletes from all Soviet national competitions.

While Soviet authorities insist Lithuanian athletes can compete only as members of the Soviet team in Seattle, Lithuanian officials say their athletes will participate as an independent team or not at all.

Their absence would be especially critical to the success of the Soviet team in basketball. Four prominent members of the team that won the gold medal at the 1988 Seoul Olympics are from Lithuania, including Arvidas Sabonis, who is now playing in Spain, and Sarunas Marciulionis, a member of the Golden State Warriors of the National Basketball Association.

For the Record

Slavic, the Florida Derby runner-up and a leading Eastern prospect for the Kentucky Derby on May 5, is suffering from a strained ligament in his right front ankle and probably will not run in the Triple Crown races. *(NYT)*

Pekka Marikanen, the former Finnish Army soldier who became a defensive standout as a 6-foot, 10-inch (2.08-meter) center on the University of Kansas basketball team, said he will not return to the school next season. *(AP)*

Carlos Snow, Ohio State's leading rusher last season, had a benign tumor about the size of a chicken's egg removed from his thigh bone and will not be able to play in the 1990 college football season, although doctors said he could resume playing by the spring of 1991. *(AP)*

Five to 10 National Football League players are expected to file a federal antitrust suit next week against the league, according to the NFL Players Association, which is coordinating the suit. Their target is the system that prevents the best veteran free agents from moving without restrictions to other teams. *(NYT)*

Leslie Combs II, 88, hailed as an innovator within the thoroughbred industry for his work as an owner and breeder at Spendthrift Farm in Lexington, Kentucky, died Saturday of cancer. *(UPI)*

Quotable

• Mickey Mantle, after learning that Bo Jackson of the Kansas City Royals had settled for $1 million after asking for $1.9 million in arbitration: "The money that Bo Jackson didn't get this year is more than I made in my lifetime as a player."

DENNIS THE MENACE

"HE'S SUFFERING FROM JET LAG. HE JUST FLEW DOWN TO THE STORE FOR A LOAF OF BREAD."

JUMBLE® THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

CHULG
HIDUM
REZIFE
LESING

THE SOPRANO STOOD ON THE BALCONY SO SHE COULD DO THIS.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

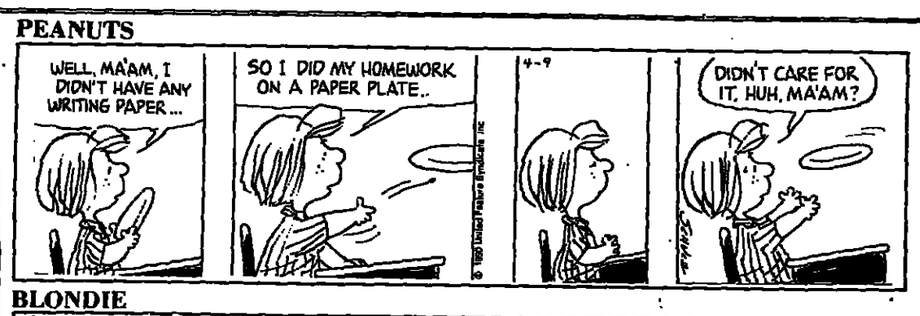
Answer here: ( ) ( ) ( ) ( ) ( ) ( )

(Answers tomorrow)

Saturday's Jumbles: SYNOD HAREM SAILOR NEPHEW
Answer: What an old-fashioned husband expects his wife to do—HELP HIM WITH THE DISHES

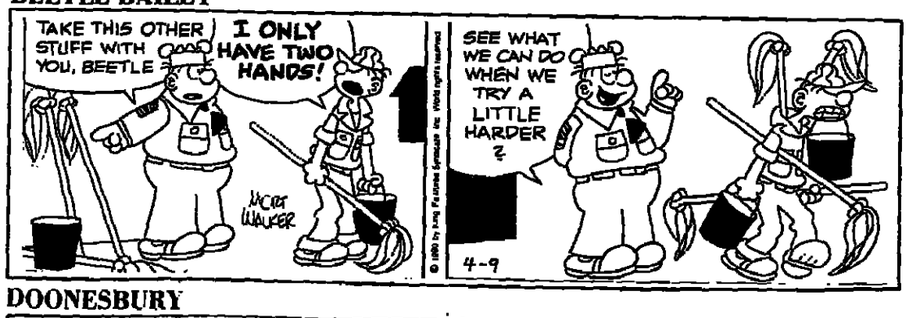
The Daily Source for International Investors.

PEANUTS



BLONDIE

BEETLE BAILEY



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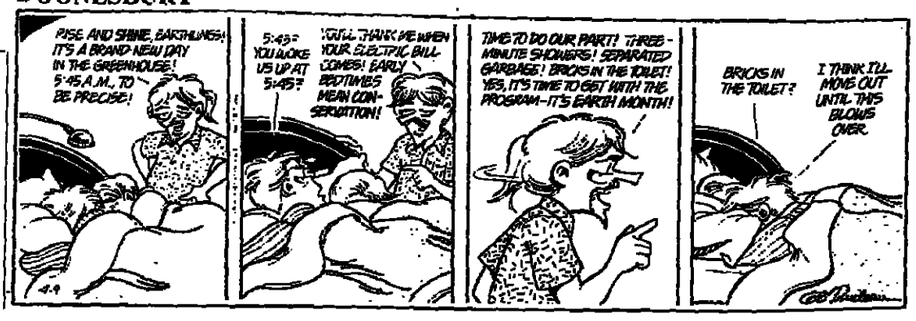

ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

MONDAY SPORTS

Valvano Is Out at N.C. State

By Barry Jacobs
New York Times Service

RALEIGH, North Carolina — Jim Valvano is out as North Carolina State's basketball coach.

Five weeks of negotiations ended on Saturday when North Carolina State and Valvano, the school's coach for the last 10 years, reached a settlement that could ultimately yield Valvano more than $600,000.

"There is no bitterness at all," said an upbeat Valvano. "I have said from the beginning that this was not an issue of finance. It was an issue of fairness."

The settlement ended Valvano's efforts to keep his job following allegations of point-shaving by Wolfpack players two seasons ago and the admission by Charles Shackleford of the New Jersey Nets of the National Basketball Association that he had accepted money from two men while he was a player at North Carolina State.

Valvano was not implicated in the allegations, but he has come under fire because of the poor academic performance of many of the players he recruited.

The university will pay him $26,509 in salary as well as a $212,000 cash settlement within 30 days. Additionally, said Valvano's attorney, William W. Webb, the coach expected to collect most, if not all, of $375,000 in annuities and other funds due him from the school's sports fund-raising organization, the Wolfpack Club.

A key to securing Valvano's amicable departure was a statement in the settlement agreement acknowledging that the parties' "respective interests are best served by resolving their differences without litigation."

Attorneys for the school had threatened to take Valvano to court in an attempt to avoid a payment of $500,000 stipulated in a clause in the coach's five-year contract.

Based on poor academic performance by players, the attorneys were considering invoking a clause in the contract that required Valvano to "encourage academic progress, in conjunction with the faculty and university, of student athletes toward graduation."

Valvano, 44, repeatedly said he wanted to remain at North Carolina State, where in 10 seasons his teams posted a 209-114 record, won two Atlantic Coast Conference titles and in 1983 won the national championship.

Negotiations leading to Valvano's departure began in early March, when the coach offered to consider resigning after the allegations of point-shaving and Shackleford's admission.

But the talks soon broke down over the issue of the buyout clause in Valvano's contract, payable by whichever party withdrew voluntarily from the agreement.

Under the contract, Valvano could be dismissed with cause only if he committed a felony or was personally responsible for a major infraction of National Collegiate Athletic Association rules. Saturday's settlement agreement made clear that Valvano's employment was terminated "without cause."

The dismissal followed 15 months of problems for Valvano, which began with allegations in the book "Personal Fouls," and ran through a university-system inquiry that found chronic academic deficiencies in the basketball program. Last fall, Valvano was stripped of his job as athletic director.

Raymond Floyd, left, blasting out of a fourth-hole sand trap en route to a two-shot lead after three rounds in the Masters. A botched putt had Greg Norman, above, feeling lowly and he then fell further, missing the cut.

AP — Bob Pearson/Agence France-Presse

Floyd Keeps 2-Shot Lead As Nicklaus Moves to 3d

The Associated Press

AUGUSTA, Georgia — The exercise in nostalgia continued Sunday as Raymond Floyd clung to a two-stroke lead and Jack Nicklaus remained in contention halfway through the final round here.

Floyd, who first played in the Masters a quarter-century ago and won it with a record-matching score 11 years later, equaled par-36 over the front side of the Augusta National Golf Club course and reached the turn at 10 under par.

Nick Faldo, the Englishman who is seeking to join Nicklaus as the only men to score consecutive Masters victories, bounced back from a first-hole double bogey and played the front in one-under 35.

Nicklaus, 50, the only six-time winner of this event and playing in his 32d Masters, had to scramble to equal par-36. With nine holes to go, he was alone in third place, five strokes behind Floyd.

John Huston, the Masters rookie who held second place after three rounds, was four-over on the front nine and dropped six shots back.

Tom Watson and Tom Kite led a group at three-under, seven shots behind the leader, going into the final nine holes. They were tied with Scott Simpson, Lanny Wadkins and Fred Couples.

Watson, Couples and Wadkins reached the turn in 34. Kite was out in 35 and Simpson matched par-36 in the ideal playing conditions.

Floyd, twice a PGA champion and the 1986 U.S. Open winner, bogeyed the fifth hole after driving under a bush. But he got the shot back with a two-putt birdie-four on the eighth, then saved the two-shot advantage with a one-putt par on the ninth.

Faldo had to rally from a terrible start. He put his second shot in a bunker on the first hole, came out weakly and then three-putted for double bogey that dropped him five shots behind.

He came back with a birdie on the par-five second, then closed up with birdie putts of six feet or less on the seventh and ninth.

Nicklaus, who won his first start on the Senior Tour last week, dropped a 12-foot birdie putt on the second hole and was tied for

MASTERS GOLF

second at six-under until he three-putted the fifth.

His tee shot backed off the sloping green of the sixth hole and he failed to get up and down, dropping back to four-under for the tournament.

But Nicklaus holed a 30-foot bunker shot on the seventh for birdie and parred to the turn.

Jaime Diaz of The New York Times reported at the end of play Saturday:

Floyd, playing the kind of front-runner golf that has brought him four major titles, shot a four-under-par 68 to take a two-shot lead.

Floyd, who won the 1976 Masters by nine shots, responded to a challenge by Huston and Faldo to shoot a five-under 31 on the back nine.

He finished at 10-under-par 206, two better than Huston, who is trying to become the first player to win his first start here since Fuzzy Zoeller did it in 1979.

Three back was Faldo, who fired a 66 that gave him a strong bid to join Nicklaus as the only man ever to win back to back titles at Augusta. Nicklaus, trying at age 50 to win his record seventh green jacket, was at 211 after shooting a 69.

Huston broke out of a pack that included him, Floyd, Hoch and Curtis Strange when he made four straight birdies beginning with a tap-in birdie at the par-five eighth hole. He made a 15-footer at the ninth, a 20-footer at the 10th, and a 40-footer at the 11th. His streak ended when he lipped out a 20-foot birdie chip at the 12th.

It gave him a two-shot lead over Floyd, who offset three bogeys with three birdies through 11 holes.

But Floyd closed the gap with a 30-foot birdie putt at the 12th and chipped in from 25 feet for a birdie on the par-four 14th to tie Huston at eight under par.

Floyd was the most animated of the contenders, raising his arms and shaking his fist whenever birdie putts dropped.

Faldo, 32, drew within a shot when he birdied the 14th with a six-foot putt, his sixth birdie of the day. When he finished play three holes ahead of Huston, he was seven-under at 210.

Lurking ominously was Nicklaus, who started the day four shots behind Floyd, but birdies at the 14th and 15th took him to within three shots of the lead.

Nicklaus came from behind in the fourth round in his last two victories here, in 1975 and 1986.

The Scores

Scores after the third round of the Masters on the 6,905-yard, par-72 Augusta National Golf Club course (a-amateur):

Raymond Floyd	70-68-68—206
John Huston	66-74-68—208
Nick Faldo	71-72-66—209
Jack Nicklaus	72-70-69—211
Scott Hoch	71-68-73—212
Bernhard Langer	70-73-69—212
Bill Britton	68-74-71—213
Scott Simpson	74-71-68—213
Jose-Maria Olazabal	72-73-68—213
Curtis Strange	70-73-71—214
Tom Kite	75-73-66—214
Fred Couples	74-69-72—215
Lanny Wadkins	72-73-70—215
Tom Watson	77-71-67—215
Seve Ballesteros	74-73-68—215
Ronan Rafferty	72-74-69—215
Gary Player	73-74-68—215
Craig Stadler	72-70-74—216
Ian Woosnam	72-75-70—217
Larry Mize	70-76-71—217
Jodie Mudd	74-70-73—217
Peter Jacobsen	67-75-76—218
a-Chris Patton	71-73-74—218
Steve Jones	77-69-72—218
Jumbo Ozaki	70-71-77—218
Don Pooley	73-73-72—218
Fuzzy Zoeller	72-74-73—219
Ben Crenshaw	72-74-73—219
Wayne Grady	72-75-72—219
Mike Hulbert	71-71-77—219
Lee Trevino	78-69-72—219
Donnie Hammond	71-74-75—220
Peter Senior	72-75-73—220
Mark Calcavecchia	74-73-73—220
Bob Tway	72-76-73—221
Mark Lye	75-73-73—221
Bill Glasson	70-75-76—221
John Mahaffey	72-74-75—221
Chip Beck	72-74-75—221
Jeff Sluman	78-68-75—221
Andy North	71-73-77—221
Payne Stewart	71-73-77—221
Joe Ozaki	75-73-74—222
Andy Bean	76-72-74—222
Mike Donald	64-82-77—223
Tom Purtzer	71-77-76—224
Mark McCumber	74-74-76—224
Larry Nelson	74-73-79—226
George Archer	70-74-82—226
Failed To Qualify Friday	
Mike Reid	76-73—149
Mark O'Meara	75-74—149
Billy Casper	74-75—149
David Frost	74-75—149
Robert Gamez	73-76—149
Blaine McCallister	73-77—150
Hubert Green	73-77—150
Tom Pernice	74-76—150
Greg Norman	78-72—150
Dan Forsman	79-72—151
Tony Sills	77-74—151
Sandy Lyle	77-74—151
Dave Rummells	77-74—151
Ian Baker-Finch	77-74—151
Tommy Aaron	77-74—151
Ted Schulz	75-76—151
Charles Coody	75-77—152
Tim Simpson	77-75—152
Hal Sutton	81-71—152
Gay Brewer	76-77—153
Tommy Armour III	75-78—153
Curt Byrum	76-77—153
David Ishii	74-79—153
Brian Claar	74-79—153
Tom Byrum	77-78—155
Leonard Thompson	80-75—155
a-Stephen Dodd	77-78—155
Paul Azinger	80-76—156
Craig Parry	80-76—156
Arnold Palmer	76-80—156
a-Tim Hobby	76-82—158
Wayne Levi	77-81—158
Ken Green	78-80—158
a-Daniel Green	79-80—159
a-James Taylor	83-78—161
Doug Ford	78-85—163

a-amateur

Gary Hershorn/Reuters

AFP

Jack Nicklaus, left, trying to become the senior-tour player to win a major championship, was an often cheered favorite at the Masters. First-round leader Mike Donald, right, faltered in following rounds and tried to take a bite out of his putter after dropping 17 strokes off the lead.

Mysterious, Magical Jumbo Driver Makes Its Mark in Masters

By Dave Anderson
New York Times Service

AUGUSTA, Georgia — Jack Nicklaus couldn't believe it.

When he played with Masashi (Jumbo) Ozaki in Japan about 12 months earlier, their drives had traveled about the same distance.

But during a television celebrity match in Japan late last year, Jumbo was consistently outhitting the Golden Bear off the tee by as much as 90 yards (83 meters).

"On one par-5," Nicklaus recalled, "I hit a good drive, a two-iron and a pitching wedge to the green. Jumbo reached it with a driver and an eight-iron. I finally turned to him and said, 'What are you using?' "

What Jumbo Ozaki was using is what Jack Nicklaus and Raymond Floyd are also now using: a mysterious magical driver with a graphite shaft and a metal head.

In the high-tech talk of this 54th Masters tournament, golfers call it a Jumbo Driver for the Japanese touring pro who works for the Japanese manufacturer, Bridgestone.

Across the sole is its brand name, "J's," and the words "Professional Weapon."

The J's stand for the Ozaki brothers whose nicknames all begin with J, the others being Naomichi (Joe) Ozaki and Tateo (Jet) Ozaki.

Just as Japanese automobile and electronic imports have proved popular in the United States, this driver is sure to infatuate any golfer searching for extra distance off the tee.

If a golfer thought swinging a tree branch would create more yards, the nation's forests would be in jeopardy.

But it's not on the market in the United States yet. Nicklaus, Floyd and several other touring pros are using drivers presented to them by Jumbo as gifts.

"I don't know exactly what it's made of," Nicklaus, a part-owner of the MacGregor Sporting Goods Co., said with a smile. "But we're trying to copy it as fast as we can."

Asked about the Golden Bear's plan to manufacture a similar driver, Ozaki said through an interpreter: "It's not likely. It's very difficult to copy."

Ozaki would disclose only that the composition of the driver's head "is very much like steel." Beyond that, he would not reveal any high-tech secrets.

"I don't hit it any straighter than I do with my old driver, but it penetrates the wind better and when it hits on hard ground, it seems to roll and roll," Nicklaus said. "I don't know what the shaft is, it just has 'X' on it."

Whatever type shaft is in it, the Jumbo Driver helped put the 50-year-old Nicklaus, the 47-year-old Floyd and the 44-year-old Ozaki on the Masters leader board as they teed off in Saturday's third round.

During Friday's second round, Nicklaus's tee-shot average on the two measured holes, the 435-yard fifth and the 500-yard 15th, was 289 yards, the longest of the leaders. Ozaki was next at 286; Floyd's average was 260.

"To me, it's not much longer," Floyd said of his driver, "but I can release it and I feel comfortable with it."

Four years ago Nicklaus emerged at age 46 as the oldest Masters champion. But with both he and Floyd having a chance to be the oldest Masters champion if either won Sunday, they and Ozaki, who is now Japan's top-ranked golfer and the winner of 65 tournaments, have projected the Jumbo Driver as golf's latest high-tech toy.

Just as Japanese automobile and electronic imports have proved popular in the United States, this driver is sure to infatuate any golfer searching for extra distance off the tee.

Golf cynics wonder if the Jumbo Driver might be illegal. But Frank Thomas, the technical director of the U.S. Golf Association, which sanctions clubs for the PGA Tour, said that "there's no reason to believe" it is illegal.

"I don't recall if I've actually seen a Jumbo Driver," Thomas said from USGA headquarters in Far Hills, New Jersey.

"But we're in constant communication with the Royal and Ancient and if there were any problem, I'm sure we'd have heard of it by now."

Floyd, who also works for Bridgestone, also carries the J's three-wood.

In the second round it contributed to a birdie 4 at the 555-yard second hole and an eagle 3 at the 535-yard eighth hole during his 68, which snatched the 36-hole lead.

After a 325-yard drive on the downhill second hole, Floyd was 220 yards away as Larry Mize prepared to putt.

"I wasn't thinking about reaching the green. I was really just hoping to put it in the bunker in front of the green but I didn't want the ball to land anywhere near the green when Larry was putting," Floyd said.

"After Larry putted, I hit my three-wood. It cleared the bunker and landed on the green while Curtis Strange was lining up his putt. I just couldn't believe I could hit it that far."

On the eighth, which was playing downwind, Floyd had 262 uphill yards to the pin. His three-wood there rolled 12 feet past the pin.

"I'm with the same manufacturer Jumbo is," Floyd said with a laugh, "but I can't get 'em from the company. I got to get 'em from Jumbo. I guess he's got more control than I do. Maybe it's the language."

Floyd received eight Jumbo Drivers but, typical of the feel any golfer has for a particular club, found only one to his liking.

"All of 'em look alike; all got the same shaft," Floyd said. "But of the eight, I couldn't hit any a flip but the one."

Navratilova Beats Capriati At Hilton Head

The Associated Press

HILTON HEAD ISLAND, South Carolina — Martina Navratilova won the battle of tennis's old and new generations Sunday, beating 14-year-old Jennifer Capriati, 6-2, 6-4, to win the Family Circle Cup.

It was the 150th career singles victory for the 33-year-old Navratilova, who won seven of those tournaments before her opponent was born.

Navratilova won the match at the net and by using her serve-and-volley attack.

Capriati, who was 2 years old when Navratilova earned her first Grand Slam title in 1978, struggled with her serve and rushed her shots when Navratilova came to the net.

Capriati was playing in her second final in only her third tournament since turning professional last month. She is now 13-3.

SCOREBOARD

HOCKEY

NHL Playoffs

DIVISION SEMIFINALS
SATURDAY'S RESULTS
Patrick Division
Rangers lead series, 2-0

N.Y. Islanders 0 2 0—2
N.Y. Rangers 1 4 0—5

First period—1, N.Y. Rangers, Ogrodnick 1 (Turcotte, Patrick), 11:28 (pp). Second period—2, N.Y. Islanders, Volek 1 (Finley, Sutter), 6:49. 3, N.Y. Rangers, Janssens 2 (Mollor, Horava), 9:24. 4, N.Y. Islanders, Fitzgerald 1 (Lauer, Dollman), 10:32. 5, N.Y. Rangers, Patrick 1, 11:35 (pp). 6, N.Y. Rangers, Ogrodnick 2 (Kisio), 13:01. 7, N.Y. Rangers, Nicholls 2 (Mollor, Wilson), 17:33 (pp). Third period—None.

Shots on goal: N.Y. Islanders (on Richter) 14-13-5—32; N.Y. Rangers (on Fitzpatrick, Healy) 8-17-8—33.

Series tied, 1-1

Washington 0 2 3—5
New Jersey 3 1 3—6

First period—1, New Jersey, Shanahan 1 (Morris, Driver), 6:21. 2, New Jersey, Mason 2 (Stastny, Fetisov), 14:58 (pp). 3, New Jersey, MacLean 3 (Driver, Muller), 18:26 (pp). Second period—4, Washington, Ciccarelli 4 (Johansson), 1:06. 5, New Jersey, Donevko 1, 3:37. 6, Washington, Rouse 1 (Joyce), 6:20 (pp). Third period—7, Washington, Miller 1 (Johansson, Ciccarelli), 1:06. 8, Washington, Joyce 1, 9:15. 9, New Jersey, Weinrich 1 (Morris, Shanahan), 13:12. 10, New Jersey, Stastny 1 (Muller, Kasatonov), 16:55. 11, Washington, Ciccarelli 5 (Miller), 18:54.

Shots on goal: Washington (on Terreri) 10-10-6—26. New Jersey (on Liut, Beaupre) 13-9-17—39.

Adams Division
Series tied, 1-1

Hartford 0 1 0—1
Boston 1 1 1—3

First period—1, Boston, Bourque 1 (Galley, Propp), 10:58 (pp). Second period—2, Hartford, Krygier 2 (Verbeek, Ferraro), 7:42. 3, Boston, Galley 1 (Bourque, Carpenter), 14:06 (pp). Third period—4, Boston, Carpenter 2 (Neely, Burridge), 6:57 (pp).

Shots on goal: Hartford (on Moog) 10-7-9—26; Boston (on Sidorkiewicz) 17-12-6—35.

Series tied, 1-1

Montreal 2 0 1—3
Buffalo 0 0 0—0

First period—1, Montreal, Naslund 1 (Smith, Lemieux), 4:31. 2, Montreal, Richer 1 (Naslund, Svoboda), 14:09 (pp). Second period—None. Third period—3, Montreal, Corson 1 (Skrudland, Richer), 14:15.

Shots on goal: Montreal (on Puppa) 13-11-12—36; Buffalo (on Roy) 9-9-8—26.

FRIDAY'S RESULTS
Norris Division
Series tied, 1-1

Minnesota 3 0 0—3
Chicago 1 4 0—5

First period—1, Minnesota, Bellows 3 (Dahlen, Murphy), 8:49 (pp). 2, Minnesota, Chambers 1 (Gagner, A.Broten), 10:41 (pp). 3, Minnesota, N.Broten 1 (Dahlen, Barber), 11:56 (pp). 4, Chicago, Presley 1 (Manson, Brown), 14:24 (pp). Second period—5, Chicago, Gilbert 1 (Thomas, Lemieux), 1:49. 6, Chicago, Roenick 1 (B.Murray, Larmer), 3:53 (pp). 7, Chicago, Thomas 1 (Wilson, B.Murray), 7:26 (pp). 8, Chicago, Presley 2 (Lemieux), 16:39 (sh). Third period—None.

Shots on goal: Minnesota (on Millen, Belfour) 7-7-6—20; Chicago (on Casey) 11-11-9—31.

St. Louis leads series, 2-0

Toronto 1 0 1—2
St. Louis 1 3 0—4

First period—1, St. Louis, Hull 2 (Oates, Brown), 4:52 (pp). 2, Toronto, Osborne 1, 10:49 (sh). Second period—3, St. Louis, MacLean 1 (Brown, Hull), 9:49 (pp). 4, St. Louis, Sutter 1 (Wilson), 13:32 (sh). 5, St. Louis, P.Cavallini 1 (Hull, Wilson), 18:50. Third period—6, Toronto, Marois 1 (Clark, Gill), 18:13.

Shots on goal: Toronto (on Joseph) 10-6-12—28; St. Louis (on Bester) 17-15-8—40.

Smythe Division
Series tied, 1-1

Los Angeles 1 2 2—5
Calgary 2 4 2—8

First period—1, Calgary, Gilmour 1 (McLellan, Macoun), 1:41. 2, Calgary, Mullen 1 (Gilmour, Murzyn), 5:58 (sh). 3, Los Angeles, McSorley 1 (Robitaille, Taylor), 18:18 (pp). Second period—4, Calgary, Roberts 1 (Makarov, Nieuwendyk), 6:40. 5, Calgary, Otto 1 (Makarov, MacInnis), 10:42. 6, Calgary, Korn 1 (Hrdina, Macoun), 12:16. 7, Los Angeles, Robitaille 3 (Elik, Taylor), 12:56. 8, Los Angeles, Robinson 1 (Tonelli), 14:15. 9, Calgary, Gilmour 2 (McCrimmon, Nieuwendyk), 18:58. Third period—10, Los Angeles, Robitaille 4 (Elik, McSorley), 4:19 (pp). 11, Calgary, Nieuwendyk 1 (Makarov, Suter), 8:36. 12, Los Angeles, Taylor 1 (Duchesne, Robinson), 12:52 (pp). 13, Calgary, Murzyn 1 (sh-en), 19:58.

Shots on goal: Los Angeles (on Vernon) 8-8-10—26; Calgary (on Hrudey, Gosselin) 17-11-9—37.

Series tied, 1-1

Winnipeg 2 0 0 0—2
Edmonton 0 0 2 1—3

First period—1, Winnipeg, Ashton 2 (Mantha, MacDermid), 5:39. 2, Winnipeg, Fenton 1 (MacDermid, Mantha), 18:41 (pp). Second period—None. Third period—3, Edmonton, Simpson 3 (S.Smith, Tikkanen), 3:09. 4, Edmonton, Murphy 1 (Buchberger, Lamb), 12:45. Overtime—5, Edmonton, Lamb 1 (Kurri, S.Smith), 4:21.

Shots on goal: Winnipeg (on Ranford) 7-5-10-3—25; Edmonton (on Beaupre) 6-8-13-3—30.

BASEBALL

SATURDAY'S EXHIBITION RESULTS
(ss denotes split squad)

Toronto 3, Texas 2
St. Louis 11, Baltimore 10
Atlanta 11, Houston 9
Philadelphia 11, Cincinnati (ss) 8, 7 innings
Cincinnati (ss) 2, Pittsburgh 0
Boston 11, Chicago White Sox 10
Kansas City 5, Detroit 2
N.Y. Yankees at N.Y. Mets, ccd., cold
Chicago Cubs (ss) 9, Milwaukee 6
San Francisco 7, Oakland 6
Chicago Cubs (ss) 8, Cleveland 7
Montreal 7, Minnesota 2
Los Angeles 4, California 2
San Diego 3, Seattle 2

FRIDAY'S EXHIBITION RESULTS

St. Louis 1, Pittsburgh 0
Baltimore (ss) 4, New York Yankees 2
Atlanta 8, Baltimore (ss) 1
Philadelphia 2, Toronto 0
Kansas City 9, Boston 1
Texas 4, Chicago White Sox 3
Cincinnati 6, Detroit (ss) 5
Detroit 6, Houston 5, 10 innings
Cleveland 7, Seattle 6
Chicago Cubs 7, Milwaukee 0
Minnesota 6, Montreal 5
Los Angeles 5, California 4
Oakland 9, San Francisco 2

JAPAN LEAGUE

Yomiuri Giants 4, Yakult Swallows 3
Hanshin Tigers 9, Hiroshima Toyo Carp 0
Chunichi Dragons 5, Yokohama Taiyo Whales 5
Seibu Lions 6, Nippon Ham Fighters 2

BASKETBALL

NBA Standings

EASTERN CONFERENCE
Atlantic Division

	W	L	Pct	GB
x-Philadelphia	49	27	.645	—
x-Boston	46	29	.613	2½
x-New York	43	31	.581	5
Washington	29	46	.387	19½
Miami	17	58	.227	31½
New Jersey	16	58	.216	32
Central Division				
x-Detroit	54	20	.730	—
x-Chicago	51	23	.689	3
Milwaukee	40	35	.533	14½
Indiana	37	37	.500	17
Cleveland	35	39	.473	19
Atlanta	35	40	.467	19½
Orlando	17	57	.230	37

WESTERN CONFERENCE
Midwest Division

	W	L	Pct	GB
x-Utah	51	22	.699	—
x-San Antonio	49	25	.662	2½
Dallas	42	32	.568	9½
Denver	38	36	.514	13½
Houston	35	38	.479	16
Minnesota	21	53	.284	30½
Charlotte	17	57	.230	34½
Pacific Division				
x-LA Lakers	56	17	.767	—
x-Portland	52	22	.703	4½
x-Phoenix	50	25	.667	7
Seattle	37	37	.500	19½
Golden State	35	39	.473	21½
LA Clippers	29	47	.382	28½
Sacramento	22	53	.293	35

x-clinched playoff berth

SATURDAY'S RESULTS

Boston 22 35 33 25—115
Miami 35 18 24 28—105

Bird 13-21 7-10 37, Lewis 9-16 4-6 22; Thompson 9-16 1-1 19, Seikaly 8-20 3-8 19, Douglas 10-16 2-4 22. Rebounds: Boston 54 (McHale, Parish 11), Miami 58 (Seikaly 15). Assists: Boston 28 (Bird, Johnson 10), Miami 27 (Douglas 10).

Philadelphia 29 28 22 33—112
Atlanta 24 32 29 33—108

Barkley 14-19 10-11 39, Hawkins 6-17 5-6 19; Wilkins 10-20 7-7 27, Willis 7-14 4-6 18. Rebounds: Philadelphia 47 (Barkley 13), Atlanta 51 (Willis 11). Assists: Philadelphia 20 (Dawkins 7), Atlanta 19 (Rivers 5).

Chicago 21 35 30 23—109
Dallas 25 22 28 33—108

Jordan 15-26 10-13 43, Pippen 9-15 0-0 18; Harper 9-15 6-8 28, Blackman 11-22 3-4 26. Rebounds: Chicago 42 (Grant 10), Dallas 56 (Donaldson 13). Assists: Chicago 30 (Paxson 10), Dallas 21 (Harper 10).

Washington 19 26 26 29—100
Milwaukee 23 35 23 29—110

King 10-21 15-16 35, Malone 9-18 4-4 22; Humphries 13-22 3-4 29, Sikma 8-12 6-6 22. Rebounds: Washington 44 (Jones 8), Milwaukee 41 (Sikma 8). Assists: Washington 22 (King 5), Milwaukee 31 (Robertson 10).

San Antonio 24 22 24 40—111
Sacramento 20 37 23 13— 93

Cummings 10-17 8-10 28, Strickland 9-15 3-4 21; Del Negro 9-13 1-1 19, Tisdale 6-15 6-8 18. Rebounds: San Antonio 55 (Robinson 10), Sacramento 59 (Ellison 11). Assists: San Antonio 20 (Strickland 7), Sacramento 17 (Toney 6).

Phoenix 32 28 26 29—115
LA Clippers 29 25 26 28—108

Chambers 11-19 9-10 33, K.Johnson 7-12 18-20 34; Smith 10-16 10-14 30, Benjamin 9-15 6-9 24. Rebounds: Phoenix 51 (Lang 8), Los Angeles 53 (Manning 11). Assists: Phoenix 25 (K.Johnson 17), Los Angeles 21 (Norman 6).

FRIDAY'S RESULTS

Golden State 35 33 31 24—123
New Jersey 28 17 38 34—117

Hardaway 7-13 6-6 21, Mullin 8-14 4-5 20; Bowie 7-26 14-18 29, Hopson 10-24 5-7 26. Rebounds: Golden State 65 (Richmond 9), New Jersey 86 (Bowie 20). Assists: Golden State 21 (Hardaway 8), New Jersey 19 (Myers 5).

Minnesota 25 21 18 29— 93
Charlotte 19 30 29 30—108

Corbin 9-15 4-5 22, Campbell 9-18 4-4 22, Richardson 9-22 2-4 20; Tripucka 7-20 6-7 21, Gilliam 8-12 3-4 19, Curry 9-16 0-0 19. Rebounds: Minnesota 51 (Mitchell 15), Charlotte 50 (Gilliam 14). Assists: Minnesota 21 (Richardson 8), Charlotte 29 (Tripucka 9).

Indiana 35 26 29 33—123
Orlando 28 29 29 29—115

Miller 13-20 9-10 38, Smits 10-13 5-6 25; Reynolds 13-22 8-10 34, Smith 7-17 4-4 18. Rebounds: Indiana 46 (Schrempf, Smits 9), Orlando 61 (Turner, Reynolds, Skiles, Catledge 7). Assists: Indiana 21 (Fleming, Miller, R.Green 6), Orlando 24 (Smith 6).

Boston 38 25 22 23—109
Cleveland 25 25 29 25—104

McHale 13-19 4-5 30, Lewis 12-19 0-1 24; Williams 12-23 6-8 30, Daugherty 9-19 12-14 30, Price 5-17 6-6 18. Rebounds: Boston 56 (Bird 15), Cleveland 46 (Daugherty 14). Assists: Boston 30 (Bird 10), Cleveland 28 (Price 14).

Milwaukee 16 24 23 29—92
Detroit 18 18 24 24—84

Lohaus 7-14 5-5 25, Roberts 9-11 5-6 23; Edwards 7-13 11-11 25, Johnson 9-16 2-2 21. Rebounds: Milwaukee 43 (Sikma, Robertson 9), Detroit 50 (Rodman 12). Assists: Milwaukee 23 (Robertson, Humphries 8), Detroit 18 (Thomas 7).

Houston 35 21 27 27—110
Washington 33 30 34 24—121

Olajuwon 16-27 4-6 36, Johnson 8-15 2-2 18; Malone 12-23 5-5 29, King 10-19 7-9 27. Rebounds: Houston 48 (Olajuwon 17), Washington 64 (Jones 14). Assists: Houston 23 (Maxwell 9), Washington 29 (Walker 9).

Philadelphia 28 22 35 19—104
New York 32 23 25 34—114

Barkley 13-22 11-16 39, Gminski 7-16 0-0 14; Ewing 17-24 3-5 37, Vandeweghe 11-18 2-2 24. Rebounds: Philadelphia 53 (Barkley 15), New York 48 (Ewing 19). Assists: Philadelphia 23 (Dawkins 6), New York 37 (Jackson 11).

Seattle 26 34 22 21—103
Denver 26 35 29 29—119

Threatt 10-18 2-2 22, Ellis 6-11 2-2 14, Farmer 6-10 3-4 16; English 11-22 3-3 25, Davis 8-13 4-4 20. Rebounds: Seattle 49 (Cage 11), Denver 61 (Lever 11). Assists: Seattle 25 (McMillan 8), Denver 30 (Adams 12).

LA Lakers 26 24 29 24—103
Phoenix 29 20 21 29— 99

Worthy 10-20 9-11 29, Ea.Johnson 8-18 4-6 22; Chambers 10-22 5-8 25, K.Johnson 5-10 14-19 24. Rebounds: Los Angeles 58 (Divac 9), Phoenix 48 (Rambis 14). Assists: Los Angeles 24 (Ea.Johnson 10), Phoenix 25 (K.Johnson 9).

LA Clippers 17 32 21 29— 99
Portland 26 26 20 34—106

Benjamin 6-15 8-8 20, Martin 8-15 4-5 20, Smith 5-15 7-8 17; Drexler 12-23 11-13 35, Kersey 10-20 7-7 28. Rebounds: Los Angeles 60 (Benjamin 22), Portland 59 (Drexler 13). Assists: Los Angeles 20 (Garland 7), Portland 20 (Young 11).

SOCCER

ENGLISH FA CUP SEMIFINAL

Liverpool 3, Crystal Palace 4
Manchester United 3, Oldham 3

ENGLISH FIRST DIVISION

Chelsea 1, Luton 0
Coventry 1, Derby 0
Everton 1, Queen's Park Rangers 0
Millwall 1, Manchester City 1
Nottingham Forest 1, Tottenham 3
Sheffield Wednesday 0, Southampton 1

Points: Liverpool 62, Aston Villa 59, Everton 54, Arsenal 53, Tottenham 51, Chelsea 51, Norwich 47, Coventry 47, Queen's Park Rangers 46, Southampton 44, Nottingham Forest 44, Wimbledon 43, Derby 40, Sheffield Wednesday 40, Crystal Palace 40, Manchester United 38, Manchester City 35, Luton 33, Charlton 30, Millwall 26.

FRENCH FIRST DIVISION

Brest 3, Nantes 2
St Etienne 0, Nice 0
Caen 0, Toulouse 1
Monaco 1, Lyon 0
Cannes 2, Marseille 2
Bordeaux 0, Auxerre 1
Paris SG 1, Mulhouse 0
Sochaux 0, Metz 0
Lille 2, Racing 1
Toulon 3, Montpellier 0

Points: Bordeaux 45, Marseille 44, Monaco 38, Paris SG 35, Sochaux 35, Auxerre 33, Lyon 33, Nantes 32, Toulouse 32, Brest 31, Metz 30, St. Etienne 30, Cannes 30, Toulon 30, Lille 29, Caen 29, Montpellier 27, Paris Racing 26, Nice 25, Mulhouse 24.

WEST GERMAN FIRST DIVISION

VfL Bochum 3, St Pauli 3
FC Kaiserslautern 1, Fortuna Duesseldorf 0
Eintracht Frankfurt 1, Werder Bremen 0
VfB Stuttgart 0, Bayer Leverkusen 0
SC Karlsruhe 0, FC Homburg 2
Bayer Uerdingen 2, Bayern Munich 2
FC Cologne 3, Borussia Moenchengladbach 0
Waldhof Mannheim 1, FC Nuremberg 1
SV Hamburg 1, Borussia Dortmund 1

Points: Bayern Munich 40, Bayer Leverkusen 37, FC Cologne 36, Eintracht Frankfurt 35, Borussia Dortmund 31, VfB Stuttgart 30, Werder Bremen 28, St Pauli 28, FC Nuremberg 26, Waldhof Mannheim 26.

SPANISH FIRST DIVISION

Real Madrid 3, Vigo 0
Real Sociedad 0, Atletico de Madrid 0
Rayo Vallecano 1, Sporting de Gijon 2
Barcelona 2, Valencia 1
Mallorca 5, Cadiz 1
Castellon 1, Malaga 1
Oviedo 0, Sevilla 3
Osasuna 1, Athletic de Bilbao 1
Valladolid 2, Zaragoza 1
Tenerife 3, Logrones 1

Points: Real Madrid 55, Atletico de Madrid 45, Barcelona 44, Valencia 44, Real Sociedad 39, Sevilla 39, Osasuna 38, Logrones 36, Mallorca 36, Oviedo 34, Athletic de Bilbao 33, Zaragoza 31, Gijon 28, Castellon 27, Valladolid 26, Tenerife 25, Malaga 23, Cadiz 22, Celta de Vigo 20, Rayo Vallecano 17.

DUTCH FIRST DIVISION

Willem II Tilburg 1, Vitesse Arnhem 1
Roda JC 0, BVV Den Bosch 3
FC Den Haag 2, Feyenoord 0
Sparta 4, Fortuna Sittard 1
FC Twente 3, FC Utrecht 1
FC Groningen 0, Ajax 1
Volendam 0, PSV 0

Points: Ajax 42, PSV Eindhoven 41, Roda JC 36, Vitesse 35, FC Twente Enschede 34, Fortuna Sittard 33, RKC Waalwijk 32, Volendam 32, FC Groningen 31, FC Den Haag 28, Sparta Rotterdam 27, FC Utrecht 25, Feyenoord 24, MVV Maastricht 24, NEC Nijmegen 22, Willem II Tilburg 21, BVV Den Bosch 21, Haarlem 12.

ITALIAN FIRST DIVISION

Ascoli 1, Udinese 0
Atalanta of Bergamo 0, Napoli 0
Bari 0, Lazio of Rome 0
Bologna 0, Milan 0
Internazionale of Milan 1, Cesena 1
Juventus of Turin 4, Cremonese 0
Roma 0, Fiorentina 0
Sampdoria of Genoa 1, Lecce 0
Verona 1, Genoa 1

Points: AC Milan 45, Napoli 44, Inter Milan 41, Juventus 40, Sampdoria 40, AS Roma 37, Atalanta 33, Bologna 33, Bari 29, Lazio 28, Genoa 26, Lecce 24, Fiorentina 24, Cesena 24, Udinese 23, Cremonese 21, Verona 22, Ascoli 21.

INTERNATIONAL FRIENDLY

United States 4, Iceland 1

TRANSACTIONS

BASEBALL
American League

BALTIMORE—Optioned Mickey Weston, pitcher, to Rochester, International League.

BOSTON—Optioned Tom Bolton and Eric Hetzel, pitchers, to Pawtucket, International League. Purchased contracts of Bill Buckner and Billy Jo Robidoux, first basemen, from Pawtucket.

CALIFORNIA—Released Mike Smithson, pitcher. Put Bill Schroeder, catcher, on 15-day disabled list, retroactive to April 4. Optioned Mark Clear and Rich Monteleone, pitchers; Ron Tingley, catcher; and Bobby Rose, infielder, to Edmonton, Pacific Coast League.

CHICAGO—Optioned Shawn Hillegas, pitcher, to Vancouver, Pacific Coast League. Released Jerry Reuss, pitcher, from contract with Vancouver. Optioned Steve Rosenberg, pitcher, to Vancouver.

CLEVELAND—Optioned Doug Robertson and Jeff Shaw, pitchers, to Colorado Springs, American Association. Sent Doug Sisk, pitcher, to minor league camp for reassignment.

MILWAUKEE—Purchased contract of Paul Mirabella, pitcher, from Denver, American Association. Moved Jim Gantner, second baseman, from 21-day to 60-day disabled list.

MINNESOTA—Signed Terry Leach, pitcher, to one-year contract. Optioned Chip Hale, infielder, and Mike Dyer, pitcher, to Portland, Pacific Coast League.

N.Y. YANKEES—Put Lance McCullers, pitcher, on 15-day disabled list. Recalled Clay Parker, pitcher, from Columbus, International League.

SEATTLE—Released Tom Niedenfuer, pitcher. Signed Mike Brumley, shortstop. Purchased contracts of Gary Eave, pitcher, and Brian Giles, infielder, from Calgary, Pacific Coast League. Outrighted Mike Kingery, outfielder, and Terry Taylor, pitcher, to Calgary. Optioned Dave Cochrane, infielder to Calgary. Reassigned Tony Blasucci, Bryan Clark, Vance Lovelace and Ed Vande Berg, pitchers, to minor league camp.

TEXAS—Agreed to option year for 1991 with Nolan Ryan, pitcher.

National League

ATLANTA—Claimed Phil Lombardi, catcher, off waivers from New York Mets. Released John Russell, catcher.

CHICAGO—Agreed to terms with Greg Maddux, pitcher, on contract extension through 1991 season. Put Rick Sutcliffe, pitcher, on 21-day disabled list retroactive to March 31. Optioned Kevin Blankenship, pitcher, to Iowa, American Association.

LOS ANGELES—Put Jim Gott, pitcher, on 15-day disabled list. Bought contracts of Don Aase and Mike Munoz, pitchers, from Albuquerque, Pacific Coast League. Sent Jeff Bittiger and Mike Maddux, pitchers, outright to Albuquerque. Optioned Darrin Fletcher, catcher, and Terry Wells, pitcher, to Albuquerque.

MONTREAL—Traded Andy McGaffigan, pitcher, to San Francisco for a player to be named later. Optioned Rich Thompson, pitcher, to Indianapolis, American Association. Purchased contracts of Mark Gardner and Brett Gideon, pitchers, and Larry Walker, outfielder, from Indianapolis.

PHILADELPHIA—Put Tommy Barrett, infielder, on 60-day disabled list. Signed Dickie Noles, pitcher, to contract with Scranton, International League.

CRICKET

West Indies vs. England
(In Bridgetown, Barbados, Day 3)

1st Innings: England 221-3; West Indies 273.

TENNIS

MEN'S TOURNAMENTS
(In Estoril, Portugal)
Quarterfinals

Juan Aguilera, Spain, def. Thomas Muster (5), Austria, 6-3, 6-2; Emilio Sanchez (3), Spain, def. Omar Camporese, Italy, 6-3, 6-3; Franco Davin, Argentina, def. Paul Haarhuis, Netherlands, 6-4, 7-5; Jordi Arrese, Spain, def. Jay Berger (1), U.S., 4-6, 6-3, 7-5.

Semifinals

Davin def. Aguilera, 6-4, 6-3; Sanchez def. Arrese, 6-2, 6-1.

Final

Sanchez def. Davin, 6-3, 6-1.

(In Orlando, Florida)
Quarterfinals

David Pate, U.S., def. Alex Hombrecher, Switzerland, 6-4, 7-6 (7-5); MaliVai Washington, U.S., def. Scott Davis (4), U.S., 6-3, 7-5.

Semifinals

Christo van Rensburg (3), South Africa, def. Pate, 6-7 (2-7), 6-3, 7-5; Brad Gilbert (1), U.S., def. Washington, 6-2, 7-5.

Final

Gilbert def. van Rensburg, 6-2, 6-1.

WOMEN'S TOURNAMENT
(In Hilton Head, South Carolina)
Quarterfinals

Martina Navratilova (1), U.S., def. Katerina Maleeva (5), Bulgaria, 6-0, 6-1; Jennifer Capriati, U.S., def. Helen Kelesi (8), Canada, 6-2, 4-6, 6-1; Regina Rajchrtova, Czechoslovakia, def. Zina Garrison (3), U.S., 4-6, 6-3, 6-1; Natalia Zvereva (6), Soviet Union, def. Conchita Martinez (4), Spain, 7-6 (8-6), 6-0.

Semifinals

Navratilova def. Rajchrtova, 6-4, 6-3; Capriati def. Zvereva, 6-0, 6-4.

Final

Navratilova def. Capriati, 6-2 6-4

CYCLING

Results Sunday of the 265.5-kilometer (165-mile) Paris-Roubaix cycling race:

1. Eddy Planckaert, Belgium, 7:37:2.
2. Steve Bauer, Canada, same time.
3. Edwig Van Hooydonck, Belgium, s.t.
4. Martial Gayant, France, 3 seconds behind.
5. Jean-Marie Wampers, Belgium, 3.
6. Gilbert Duclos-Lassalle, France, 3.
7. Thomas Wegmuller, Switzerland, 7.
8. Adri Van der Poel, Netherlands, 10.
9. Rudy Dhaenens, Belgium, s.t.
10. John Talen, Belgium, s.t.

WORLD CUP STANDINGS

1. Moreno Argentin, Italy, 43 points.
2. John Talen, Netherlands, 39.
3. Gianni Bugno, Italy, 34.
4. Rudy Dhaenens, Belgium, 34.
5. Maurizio Fondriest, Italy, 32.
6. Gilles Delion, France, 27.
7. Jean-Claude Colotti, France, 27.
8. Eddy Planckaert, Belgium, 25.
9. Gilbert Duclos-Lassalle, France, 22.
10. Steve Bauer, Canada, 20.

Daniel Barenboim on the Bergé Problem

International Herald Tribune

PARIS — In a schedule that even he regards as overwrought, Daniel Barenboim will conduct the Berlin Philharmonic in Israel this week, then, with barely time to change his shirt, will take the Chicago Symphony Orchestra to Japan and return to the Berlin Philharmonic for concerts in Germany, Paris and London.

Barenboim gave up his vacation for the Tel Aviv performances because, he says, they have a dimension that is not merely

MARY BLUME

professional. While the Berlin Philharmonic had a long-standing invitation from Israel, its late conductor, Herbert von Karajan, was non grata there, so this is the orchestra's first visit.

"It's obviously a very historic trip," Barenboim said during a weekend breather in his flat on the top floor of the Salle Pleyel. "The orchestra represents what is best in German thought and the German soul which in some ways, particularly in the case of Wagner, was much misused by the Nazis. In this sense it is a wonderful gesture that the Berlin Philharmonic, which always represented the traditional orchestra in the best sense of the word, can as it were purify this concept of German art. There is no better terrain for Israelis and Germans to meet now than through Beethoven and Brahms."

Although it was suggested that Barenboim, a Buenos Aires-born Israeli, should break Israel's ban on Wagner, he refused because he thinks that when the ban is lifted it should be the Israeli Philharmonic, and not the Berlin, that plays the music.

"The reason that Wagner is not played in Israel is not because he was anti-Semitic — he was played by what was at that time the Palestine Philharmonic in 1936. He is not played because of the misuse of his name made by the Nazis. There are still a great number of people alive in Israel today who were in the concentration camps, who saw members of their families taken to the gas chambers to the sound of the 'Meistersinger' overture.

"This I have full respect for and this is why I would never use an occasion like this to play Wagner in Israel. I think Wagner should be played there now, not in a subscription concert because if someone has had a horrible experience and is a loyal subscriber to the Israel Philharmonic he should not be obliged to hear it. But there is no reason why it should not be played out of subscription where if you don't want to hear it you don't buy a ticket. I think Wagner should be played by the Israel Philharmonic and I am sure it will be."

Barenboim has worked with the Berlin and Chicago orchestras for 20 years, which makes his mid-jet changes easier. He will replace Sir Georg Solti at the head of the Chicago Symphony in September 1991. He recalls that after the announcement of his appointment was made, he attended a concert of the Chicago orchestra in New York.

"I said to Solti since the discussion started, which was long ago, and the signing of the contract, I've been breaking my head over what I can do with the orchestra. And now that I've heard them again, I know there is only one thing I can do and that is make it worse."

If, unlike the Orchestre de Paris, which Barenboim directed for 15 years until last spring, the Chicago Symphony needs no help musically, Barenboim thinks it is time to consider what the orchestra can do civically.

"I think the contacts with the other cultural institutions in Chicago are important. The Chicago Symphony is very much an ivory tower, musicians often have a tendency to be very narrowly concentrated on music and there's not too much give and take. Orchestras today and the Chicago in particular, being one of the few great orchestras in the world, have achieved a level of technical excellence which I think now has to be used to awaken the curiosity of the musicians and of the public."

Give and take on the musical as well as the civic level was one of Barenboim's aims in leading the Orchestre de Paris from an artistic shambles to a respectable orchestra. He does not agree with The New York Times's Donal Henahan, that Paris remains remarkably content with the musically second-rate.

Pierre Vodinsky

Barenboim: No intention of conducting at the Bastille opera.

"It's not true. The problem is that the French mentality is not geared to solid daily groundwork. I am sure it is the same in other professions."

Anyone who lives in France knows that the curse of the country is its genius for improvisation: the French are better at tightrope walking than at a solid trudge. "It's very much on the basis of sparks, *les étincelles*," Barenboim says. "And when they start there is nothing like it in the whole world. There are some evenings with the Orchestre de Paris which I will never forget and the next morning you have gone down 20 degrees to a level where there is not even a solid minimum level of professionalism."

The French problem, Barenboim says, is a reliance on rhetoric "the false intellectualism which makes people think about what is the justification of something rather than its substance." The outstanding example is the Bastille opera where Barenboim held the post of musical and artistic director until he was effectively fired by the opera's ambitious president Pierre Bergé, in January 1989.

The move from the Palais Garnier to new headquarters at the Bastille should have been the occasion, Barenboim says, to reshape basic policies and resolve long-standing labor disputes in the endlessly foundering Paris opera.

"They took everything from Garnier to the Bastille as if the only thing wrong at Garnier was the walls, which was not the case. Nothing was renegotiated, nothing was re-discussed. They took all the old bad habits that have been accumulating and perfecting themselves in Garnier for a little over a century and brought them to the Bastille. In order to do what the house is capable of, what the French musical potential requires, would certainly take 10 years if they started right now."

Barenboim says the issues were reduced to personalities when in fact it is the life of the institution that is at stake. "If they had fired me and had an alternative artistic program, then you could say okay, that's really a question of taste. You might disagree with the taste and with the way in which my services were dispensed with, but this would be a legitimate alternative. But there was no such alternative and you cannot do that: The people are less important than the institution and this is a crime against a great institution."

Although he repeats several times that he has turned the page, Barenboim is clearly and understandably wounded by the Bastille affair, which recently took another turn when Bergé, after an out-of-court settlement, indicated that Barenboim was welcome to conduct at the Bastille and that a reconciliation had been made.

"That is another of the hundreds of lies, and I am measuring my words very carefully. I don't know what his motivation is. It's one of his many lies, like his saying over a year ago that my contract was not valid. Well, if they paid me out of court for the monies that were due to me for work I had done over 18 months, it shows that my contract was valid or they would not have paid me."

The Bastille opera finally opened last month with a glitch-filled production of Berlioz's "Les Troyens." Barenboim's choice for the opening had been "Don Giovanni," staged by Patrice Chéreau.

"There were thousands of problems that had to be solved, starting with the working agreements with the musicians and technicians. Too many problems, and although in theory it would have been better to open with a big noisemaking work, I was being cautious because I wanted to avoid what's happening now, which is that all the equipment doesn't function.

" 'Don Giovanni' with Chéreau had many advantages. He was only going to use about 40 percent of the technical equipment, he didn't need more, and there are only 45 to 50 musicians in the orchestra for 'Don Giovanni' as against 100 or so in Wagner, Verdi or Berlioz, so we could have performed without bringing in substitutes. I consciously chose the road of carefulness rather than recklessness." The Chéreau "Don Giovanni" will be seen in Chicago instead.

Barenboim has no intention of conducting at the Bastille opera. Nor, on his hop to Paris, did he wish to go there to hear "Les Troyens." Just as well, because that night's performance was canceled on a few hours' notice because of a stagehands' strike.

LANGUAGE

CHECK, to Avoid Screwing Up

By William Safire

WASHINGTON — After these pieces are written, a researcher in Washington laboriously checks the facts and grammatical judgments; then a copy editor in New York, eyes narrowed and fine-toothed comb in hand, sifts and weighs each word, checks every spelling and challenges every controversial usage for style, taste and libel. Before the presses roll — *(O.K., we use Motter gravure press with 33-pound supercalendered paper)* — the printout is reviewed by someone known to me only as "Top-ed."

Despite this reverence for taste and accuracy, in my political pieces as well as in the scholarly articles, screwups *(CHECK hyphenated?)* occur. In a recent polemic, I wrote that Governor Mario M. Cuomo, unless he headed the New York delegation to the next Democratic National Convention, "could count on no automatic deliverance of delegates"; as Louis Jay Herman, *capo di tutti capi (CHECK use of Italian phrase, ethnic slur?)* of the Gotcha! Gang pointed out: "For shame! The verb *deliver* has two basic meanings: 'to hand over, transfer' and 'to set free, liberate.' However, the noun *deliverance* reflects only the second of these meanings. The noun for the first meaning is *delivery*."

I meant *delivery*, which made this a mistake, but slipped the religiously freighted *deliverance* past my editors in a subliminal jab at the bishop who said Cuomo might be in danger of going to hell for his abortion position. The end result *(CHECK redundant?)* The result can now be elevated to screwup.

In the foregoing, the noun *screwup* was used twice. In this space a few weeks ago, I defined what NASA officials call a *major anomaly* as a "massive *screwup*." *(CHECK Maj. Anomaly first name?)* As the reader can see, the word was challenged today only on my decision to eliminate the hyphen, which I base on the frequency of the noun use, contrary to the decision of hidebound Associated Press editors and New York Times editors, who prefer the old-fashioned *screw-up*.

Thus, when the president of the United States was asked about American soldiers' search of the Nicaraguan ambassador's residence during the invasion of Panama, he was quoted as replying, "It's a *screw-up* and they have expressed their regrets that it happened."

The location as a past participle is also a presidential favorite. In another setting, Bush kiddingly told students at the University of Tennessee that while he was delivering the State of the Union address, they were watching the Vols playing Vanderbilt in basketball, and "some of you had your priorities all *screwed up*."

Some people are shocked, shocked. *(CHECK too obscure an allusion to "Casablanca"?)* Frank Mankiewicz, a bluenosed public relations executive in Washington, writes: *"Screw up*, it must be noted, is the euphemism for the eponymous *SNAFU." (CHECK he doesn't mean "eponymous"; he means "acronymic," which he uses later — O.K. to change incoming letter without permission to save writer from looking silly? Also, acronym longer than four letters should not be all-capped.)* "You are too young to remember World War II," continues Mankiewicz, "but surely your older brother must have told you about the acronymic *frisson* that *snafu* gave otherwise proper men and women to use the word." *(Review whole graph, borderline tasteless.) (Sorry, entire tier of eds in meeting will last all week, say let copy-ed handle, but be sure double-check spelling "Mankiewicz.")*

Newspapers and news agencies now use *screw up* both as noun and verb, without blushing. According to Reuters, Bette Fenton, communications director of the Minneapolis Star Tribune *(CHECK not Star and Tribune anymore?) (Sorry, that's how Reuters writes it)*, was asked about a hoax perpetrated on the paper: "At the time, we had no reason to suspect the person was not legitimate," she said. "We screwed up."

In The New York Times, Peter T. Kilborn reported the words of a former marijuana smoker: "That's how drugs screwed me up." Nor is the usage limited to the news pages: the straightlaced *(CHECK right is spelled "strait")* the straitlaced editorial board of The Times seemed to enjoy using the formerly taboo term when it wrote, "President Bush is much too cavalier when he dismisses Friday's raid as a mere 'screw-up.'" *(CHECK if we have been using this so often that we have a style decision to hyphenate, why doesn't the bigfoot language maven go along?)*

Screw began as a noun in the 15th century, from the Old French *escroue*, "female screw, nut," which came from the Latin for "sow." *(CHECK I know this is straight from the OED, but I don't like the direction this is taking.)* In 1605, *screw* first appeared as a verb in Shakespeare's "Macbeth," as Lady Macbeth urges her husband not to lose courage before killing King Duncan: *"screw* your courage to the sticking place, / And we'll not fail." That carpentry metaphor reappeared recently in a Times article about a computer hacker who jammed a network: "Mr. Morris said he went to sleep and the next day 'screwed up his courage,' " in a meaning wholly different from the modern "befouled, blundered, went awry."

In World War II, the particle *up* used in combination with a verb made an impact on slang. *Louse up, ball up, gum up, mess up, foul up* were among the less offensive forms meaning "to botch, to make an egregious mistake, to bungle, to err repeatedly." *Screw up*, in this sense, was further popularized in the 1951 "Catcher in the Rye," the famed novel by J.D. Salinger: "Boy, it really *screws up* my sex life something awful." The verb is both transitive *(screw up my sex life)* and intransitive *(I really screwed up)*.

Another famous American novelist, John Steinbeck, used *screw* with another particle, *around*, joined to the verb *(When does that meeting break up?)* in "The Grapes of Wrath": "Goin' all over the world drinkin' and raisin' hell and screwin' around." This form may have started with *playing around* and *fooling around*, both coming to mean "sexual promiscuity" and now both used as euphemisms for the still-taboo *screwing around. (CHECK get higher-ups to look this over fast; I'm d—d if I'll let this screw up my pension.) (If it's still taboo, how come we're using it?)*

The adjective *screwy*, perhaps a synonym of "twisted" or taken from "to have a screw loose," has never been taboo; however, the taboo on the transitive verb form of the noun continues.

In sum, the presidential use of *screw up*, in conjunction with frequent newspaper quotation of the term with no concern for its sexual etymology, has legitimized *screw up* as verb and *screwup* as noun; this in turn may one day lessen the sting of the slang meaning of the central word without its gentling use of *up*, but let's let a generation go by. *(O.K., meeting's over. What's all the fuss about?)*

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